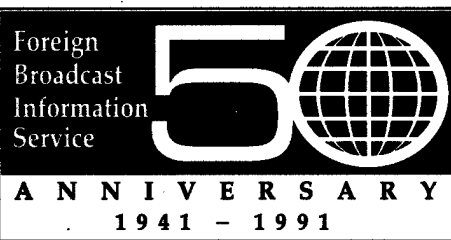


JPRS-EER-91-092  
26 JUNE 1991



# ***JPRS Report***

# **East Europe**

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# East Europe

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### Decision of Social Democratic Leadership Published

AU2406192291 Sofia SVOBODEN NAROD  
in Bulgarian 18 Jun 91 p 1

["Text" of a decision issued at the regular session of the National Committee of the Bulgarian Social Democratic Party, BSDP; date not given: "Decision of the National Committee of the BSDP"]

[Text] The National Committee of the Bulgarian Social Democratic Party [BSDP], at its regular session, examined the socioeconomic and political situation in the country. The plans and decisions of the 38th Congress of the BSDP are also factors determining the behavior of the BSDP.

The session acknowledges the need to strengthen the BSDP's tactical line of continuing to build the party up into a social and political stabilizing factor in the country.

The actions of certain elements of the Union of Democratic Forces [SDS] out to destroy the coalition, as defined in its statute, undoubtedly are also a result of the communist *nomenklatura's* strategies. We cannot describe in any other way the organized and coordinated campaign against the BSDP and other constituent organizations except as a blow against democracy in the preelection campaign.

The crisis is worsening, the people are getting poorer, unemployment is on the increase, and social discrepancies are becoming keener.

In this situation, the BSDP's main task is to defend the interests of the most vulnerable strata of society and exert its influence as a constructive and creative political force—an alternative to the totalitarian system.

In assessing the actions of the BSDP's leadership until now as correct, the National Committee resolves:

1. To pledge the National Committee's Executive Office and the BSDP's municipal organizations to consistently uphold the party's ideological and organizational independence.
2. To entrust to the Central Control Auditing Commission the task of examining the condition of the different municipal organizations and clubs undertaking actions not in accordance with the Statute, the National Committee's program, and resolutions, and, at its next session, to acquaint the National Committee with its findings.
3. To entrust the BSDP's Executive Office to take the necessary measures to strengthen the BSDP's organizational structures in accordance with the Statute and construct an effective election campaign. To entrust the BSDP's Executive Office the task of preparing specific platforms of action in the time before the election campaign is announced.
4. The BSDP's Executive Office must continue and maintain its active line of strengthening and widening

the ideological and political center as a stabilizing factor in Bulgarian political life and as a main condition governing the successful development of the democratic process in the country.

5. The Executive Office must begin consultations with organizations and separate groupings (blocs) within the SDS, as well as with other democratic organizations for a successful outcome and victory in the forthcoming elections.

6. To accept the assessment of the situation within the SDS and resolves to publish it in the mass media.

7. To immediately convene the National Committee if the BSDP's efforts turn out to be unsuccessful in consolidating the SDS as a political coalition, and if the destructive forces in the SDS gain the upper hand at the forthcoming National Conference (22-23 June) with their attempts to take over along the lines of Bolshevism.

8. The decision on participation in the next elections and the manner of participation will be adopted by the National Committee....

### Podkrepa Official on Threats to SDS Unity

91BA0687A Sofia 168 CHASA in Bulgarian 23 Apr 91 p 22

[Interview with People's Representative Plamen Darakchiev by Danka Vasileva; place and date not given: "The People of the 'Wedge' Plan Are Running the Country; the Union of Democratic Forces Has Always Included Long-Term Infiltrators"]

[Text] [Darakchiev] I was a member of the SDS [Union of Democratic Forces] Coordination Council for seven months, as the representative of Podkrepa, and have always had the feeling of sitting in a dark room with someone else in it.... Clearly, the scenario of manipulating the Bulgarian opposition is part of a plan covering all of Eastern Europe, as confirmed by events at sublime moments in the life of the SDS.

[Vasileva] What is the source of your assumptions about the existence of a "Wedge" Plan?

[Darakchiev] On several occasions, the opposition was quite cleverly manipulated both from the outside and from within. This began with the first meeting, on 18 November. The meeting was to be held on the 16th, and its purpose was to surround party headquarters: A plenum was under way, and a call for resignations was to be made. The initiator of the meeting on the 18th was Anzhel Vagenshtayn. The first meeting was held in his home and subsequent meetings in the home of Stefan Gaytandzhiev. The sessions were chaired by Vagenshtayn, Chavdar Kyuranov, Professor Dzhadzhiev, and Petur Beron. Kyuranov and Beron kept repeating that, in today's meeting with Comrade Dzhurov or Comrade Lukanov, we reached an understanding.... They wish thus and such, or for something or other not to take place....

With much effort, Podkrepa succeeded in its demand for a resolution to be adopted and presented personally to the head of state or to the National Assembly chairman. Absolutely opposed were Stefan Gaytandzhiev, Chavdar Kyuranov, and Petur Beron. The matter of restoring the names of the Turks was included in the resolution. The first shame for the opposition occurred at that same meeting: The resolution was read and this item was absent. At Petko Simeonov's insistence, it had been deleted a few minutes before being publicly read.

[Vasileva] How long were contacts with Comrade Dzhurov and Comrade Lukanov maintained?

[Darakchiev] Petur Beron kept telling us what Lukanov wanted. We got fed up, and, at one meeting of the Coordination Council, we told him: "Enough with this Lukanov, and stop committing yourself." He said: "You cannot forbid me to meet with him because he is a friend of mine." Initially, therefore, the point of contact was Beron, followed by Dimitur Ludzhev, and then came Ivaylo Trifonov....

[Vasileva] At what other peak moments were you manipulated?

[Darakchiev] At the creation of the SDS, we adopted a declaration in which we insisted on talks with the government. Shortly before the roundtable discussion, at a meeting of the Coordination Council, Petur Beron stood up and suggested that we talk with the official authorities and not with the government. His reasoning was that, in this manner, we excluded talks with the members of the Politburo. This was opposed by only two people: Deyan Kyuranov and I.

[Vasileva] Why do you consider this a failure?

[Darakchiev] According to the previous formula, we would have been dealing with Georgi Atanasov. However, somehow the BCP [Bulgarian Communist Party] had to promote the reformers and create an image for them. The formula "official authorities" diverted the attention at the roundtable, and a number of organizations began to press to participate. Petur Beron should reveal why he made this motion. Naturally, it did not originate with him.

The next occasion was when, at the beginning, the slogan calling for immediate elections was raised but was subsequently rejected. The absolute opponents of immediate elections were the agrarians. More cautiously, but firmly, against was the Club for the Defense of Glasnost and Perestroika, represented by Petko Simeonov and Beron.

[Vasileva] Who needed the postponement of the elections?

[Darakchiev] The BCP needed time to develop its new image and to tighten up the local *nomenklatura*. That is why people who were infiltrated into the SDS managed to defeat the idea of holding immediate elections. Our

political slogans were gradually abandoned because the demands were being met, and the major difficulty was only the economy.

Another failure was that of the first general strike supported by Podkrepa on 28 December 1989. As we were discussing whether to proclaim the strike, Beron reported that we had the assurance of the government that a roundtable meeting would be held. Petko Simeonov applied heavy pressure to stop the strike. Subsequently, the BCP emphasized the problem of the Turks and spent the entire month of January discussing with us the national problem, thus preventing us from making preparations for the roundtable discussion. These are all very important features. I do not know whether it is a question of infiltration, but, in all three rejected actions, Petur Beron and Petko Simeonov played the main role.

[Vasileva] Let us speak of the elections. Did you not overdo things?

[Darakchiev] It is an open secret that Petko Simeonov is to be blamed for the failure in the elections. The SDS had an electoral club: Toward the end of April, high-quality individuals could have been recruited to work in it. However, Petko Simeonov was doing the exact opposite: He made an exceptionally poor choice of people. There were coordinators, whose roles were absurd, as members of the opposition. Such substandard people predetermined the electoral tactics and strategy of the SDS.

Here is another enigma or puzzle: Why is it that, at the preelection meeting in the studio apartment, we did not see Stefan Gaytandzhiev, who was opposing Lukanov; Blaga Dimitrova, who was running against Vasil Mikhaylov; Volen Siderov, who was running against Aleksandur Lilov; or Milan Drenchev? There were five persons who were running against strong opponents. Petko should have included those people in that meeting. He did nothing. I became angry and went to see Zhelyu, who sent a note to Petko, asking that these people be included in the meeting, that that had been resolved by the Coordination Council. Petko did nothing, and all of them lost.

[Vasileva] If there had been a "wedge" plan, it would have started functioning even before 10 November....

[Darakchiev] Now, as I look back, I can say that only two organizations appeared spontaneously: Podkrepa and the Society for the Defense of Human Rights. Incidentally, I do not know why, before 10 November, all the Podkrepa meetings ended in failure, whereas those held by Ecoglasnost experienced no problems, although each meeting was attended by 80 persons. Apparently, Ecoglasnost did not appear accidentally. I believe that the scenario for the overthrow of Todor Zhivkov was written precisely at the Ecoforum. I even heard that Lukanov had managed to take over. Part of the scenario included the events in front of the Kristal enterprise. Never before had the opposition been manhandled in the presence of

diplomats. Because the purpose of the scenario was to make use of Ecoforum, there naturally should have been an ecological movement....

[Vasileva] Apparently, your initial debates were quite stormy?

[Darakchiev] When Yanko Yankov set up a faction within the BSDP [Bulgarian Social Democratic Party], the Coordination Council met, and he started arguing with Dertliev. This was the first time I saw Dertliev in that role; the exchange included unprintable words. At that point, Dertliev said that he had relieved Yanko Yankov of the position of party deputy chairman. When we asked him to show the resolution of the Administrative Council, it turned out that it had been predated. However, this matter was covered up, and Yanko was relieved of membership in the Coordination Council. Actually, an account of all these matters can be found in the minutes of the sessions of the Coordination Council. We owe the people the truth.

There were many ridiculous things in the beginning: For example, it was suggested that Stefan Prodev be editor in chief of DEMOKRATSIYA. It went so far that we had to say, "Look, people, it is ridiculous for the editor in chief of an opposition newspaper to be a member of the ruling party."

As a result of a scandal, Dragomir Tsekov left the Coordination Council, stating that he could no longer tolerate the fact that it included communists and that he did not like the way it functioned. It was then that Kotse Georgiev also left.... And the upper hand was gained in the SDS by the clubs for glasnost and democracy. They were duplicated subsequently in the power structure. In an incredibly strange way, Ivaylo Trifonov found himself a member of the opposition. In an incredibly strange way, he reached the position of chief of the president's office. We met in the fall at various meetings. Several months later, all of a sudden, he showed up on the fifth floor of the SDS building.

[Vasileva] How did you allocate the seats on the electoral lists?

[Darakchiev] There was tremendous partisanship. On three separate occasions, Milan Drenchev left the SDS because he was asking for 60 percent of the seats to go to the Nikola Petkov Bulgarian National Agrarian Union. On one occasion, even Rumen Vodenicharov wanted to strangle Krum Nevrokopski. A group of younger members asked that they not be reinstated but... Dertliev also wanted no less than 40 percent. I remember how useless Elka Konstantinova was in those disputes, unable to intervene and defend her candidates.

[Vasileva] What happened after the elections?

[Darakchiev] We engaged in crazy arguments as to whether to recognize them. I shall not forget the statement by Dertliev at the meeting in front of the NDK [People's Palace of Culture]. We won. We are a minority

in the parliament but we can block anything. This was followed by the first meeting of the deputies of the Fatherland Front National Council, to see what we were taking with us to the parliament. The SDS had at that time a council of experts, chaired by Ludzhev. He caused a great deal of trouble at the roundtable meeting. At that time, the Coordination Council would decide one thing, and he would submit something else to the contact group. We asked him why and he shouted: "Things are very complicated."

At the initial meeting of the deputies, he said that the SDS had a prepared draft for a constitution, which we would submit to the parliament. We had a packet of laws. However, we entered the parliament without a single law. Quietly, the SDS Expert Council left, closed down by Ludzhev. Let me know if anyone can tell us where in the SDS work is being done on political support of the parliament, and if anyone can say that there is an initiative group in the parliamentary union that is working on draft laws. If anyone is to be held responsible for the fact that the SDS entered the parliament unprepared, it would be Ludzhev.

Actually, a paradox occurred at that time: All of the SDS leaders became members of the National Assembly, and no one who could hold the political rear line of the parliamentary group remained outside. We actually found ourselves totally cut off from a categorically nonoperational SDS.

[Vasileva] Is there now a division within the SDS?

[Darakchiev] To begin with, I do not see where the division might be, other than in the common idea. Let us imagine that, at present, this alliance does not have an organizational structure. I am absolutely sure that, when the elections approach, the parties and movements within it will naturally sit down and reach an agreement on joint participation in the elections because they have no other solution. A coalition becomes meaningful either before elections or if rules.

#### Statistics on Bilateral Trade With Cuba

91BA0637A Sofia DELOVI SVYAT in Bulgarian  
22 Apr 91 pp 1, 3

[Article by Cristobal Gonzalez, Havana, special to DELOVI SVYAT: "Trading Chicken for Sugar: Who Wins and Who Loses?"]

[Text] Undoubtedly, over there in the Balkan Peninsula, the Bulgarians are hostages to a foreign trade imposed on them by the so-called socialist international division of labor. Here, we Cubans are deep within a militarized economy to which we were brought by domestic and foreign military-bureaucratic complexes.

This conclusion may be drawn from the condition of today's Bulgarian-Cuban trade.

According to official Bulgarian data, between 1981 and 1988, Bulgaria annually exported to Cuba 11,000 tons of

poultry meat, 2,240 tons of kashkaval-type cheese, and about 15,500 tons of lard. The tasty chicken consumed in Havana accounted for 36 percent of overall Bulgarian exports. (Another 40 percent were shipped to the USSR.) Respectively, kashkaval accounted for 74 percent and lard for nearly 100 percent of the average annual quantities of these two products exported to foreign countries.

Until the present, however, food has not been a main export item to Cuba, averaging 216 million rubles annually over that period of time. The bulk of the exports consisted of machine equipment, including electric cars, pumps, and so forth; spare parts for them; and electronic components for industrial projects built in Cuba with Bulgarian assistance.

During the same period, Bulgaria received from Cuba an average of about 317,000 tons of sugar per year. It is indicative that, between 1981 and 1985, annual imports rose from 272,000 tons to their peak of 396,000 tons of sugar, or 90 percent of the needs of the Bulgarian market. Also exported, on an annual average, were more than 20,000 tons of fresh citrus fruits.

On the basis of CEMA criteria, Bulgarian-Cuban foreign trade until 1988 was relatively balanced: In all, in that period (1981-88), Bulgaria exported to Cuba goods worth 1.73 billion transferable rubles, and imported from Cuba goods worth 1.615 billion transferable rubles, showing a difference of about 100 million rubles, considered insignificant in comparison with Cuba's huge deficits in its trade with other countries at that time. However, these figures concealed the irrationality of this foreign trade and the approaching catastrophe.

The first shocks appeared after 1988, during which year Cuban sugar deliveries to Bulgaria drastically dropped by 110,000 tons. It was then that the profoundly illogical nature of foreign trade between these two countries became apparent. Problems arose not only as a result of the start of the breakdown process of the socialist system, but also after it became clear that the militarized Cuban economy, which has entered a period of stagnation, was unable to absorb Bulgarian industrial shipments because of its inefficiency. On the Bulgarian side, as well, such deliveries could not be kept up for lack of raw materials and for other reasons. Furthermore, the machines, equipment, and items themselves no longer satisfied Cuban demand in terms of quality, particularly when judging them against world standards. At that point, the tragedy in the area of foreign trade, toward which we were being led by our totalitarian regimes, became apparent.

When both kashkaval and chicken, along with other goods, disappeared from the food stores in Sofia and other cities in January 1991, the news that 860,000 tons of such products had been loaded aboard a Cuban ship was received with tolerance by many Bulgarians. Sugar from Cuba, which had been shipped out shortly before that, was expected in exchange for the Bulgarian poultry. However, this type of trade has no future.

Currently, Cuba is unable to procure the amounts of sugar it supplied Bulgaria in the past. Cuba must hastily and sharply change the geographic directions of its sugar exports, which are the main source of the hard currency it needs in order to replace with Western raw materials, equipment, and spare parts the interrupted and until recently traditional deliveries from Czechoslovakia, the former GDR, Hungary, and Poland. According to UNCTAD [UN Conference on Trade and Development] statistical data, deliveries to Cuban industry from those four former socialist countries totaled \$783 million in 1985. The value of such goods fluctuated around that same figure until 1988, when economic relations between Cuba and the countries of Eastern Europe worsened. Cuba's possibilities of financing its trade with loans from foreign commercial banks are minimal inasmuch as, in 1986, Cuba failed to make its foreign debt payments. (Its debt to the Western countries alone is about \$7 billion.) Cuba needs annual imports worth \$7.5 billion but can earn no more than \$5.5 billion from its total exports, of which it must use \$1.5 billion for fuel purchases.

Bearing in mind that, over the past four years, Cuba's sugar production has remained steady at a relatively firm level of 7-7.5 million tons annually, it follows that Cuba can have no source of hard foreign currency without changing the geography of its sugar exports.

Naturally, Bulgaria does not have the goods Cuba needs, and that would have been a prerequisite for increasing sugar exports to that country. Such items include special steel, chemicals, herbicides, and so forth. Bulgaria would be unable even to supply equipment and the spare parts for the projects in the construction of which it participated in the past.

So far, our trade with Bulgaria had been based on the international socialist development of labor and the hopes generated by the principles of reciprocal aid based on proletarian internationalism. Let us see the reason for which this structural concept was unable to function favorably and the way it was reflected in relations between the two countries. Along with the former GDR and the USSR, Bulgaria was part of the so-called CEMA Sugar Program, which proceeded from the general agreement on the comprehensive development of sugar production in Cuba, signed in Sofia in 1981. According to that agreement, the three countries were to grant Cuba a total of 766 million rubles for the 1981-90 decade, for the intensive development of the sector. Subsequently, these countries reduced the land they had planted with sugar beets and, respectively, their sugar production from that raw material. Cuba, as well, stopped producing a number of food and consumer goods, relying on importing them from Eastern Europe by exporting sugar. (It is worth noting that Cuba substantially reduced its poultry meat production in order to make better use of its cultivated land, planting it with sugarcane instead of feed corn because income per hectare of corn is \$400 as compared with \$700 per hectare for sugarcane.)

Today, the Cuban press is silent about the fact that, on the basis of the agreement we mentioned, Cuba in 1990 should have produced 12 million tons of sugar. Reality fell far behind the target figure: The peak annual production that year was 4 million tons, or 34 percent below the stipulated amount. The leading *nomenklatura*, as well, does not mention that, according to the agreement, we should by now have secured 9 million tons for the CEMA members and 2.5 million tons for the free world market. In turn, the Bulgarian *nomenklatura* kept stressing in the past that, in all cases, it would have been more advantageous for Bulgaria to import sugar from Cuba instead of using more land for sugar beets, thus saving on capital investments and the manpower needed to develop new production capacities for sugar refining.

Clearly, the thus-formulated structural concept failed in terms of the economic analysis or the obtained practical results. Reality turned out different.

Could Bulgaria meet its sugar needs by importing sugar from Cuba while exporting poultry, lard, and kashkaval? These are the three products that, in the near future, would have been of Cuba's greatest interest. Bearing in mind the deliberate policy of reducing consumption in our country, it is quite logical to replace rationed veal with poultry meat, thus saving scarce foreign exchange in dollars. (On the basis of 1990 world market prices, one ton of veal costs \$2,500, whereas the price of one ton of poultry meat does not exceed \$1,000.)

According to economic principles, this kind of trade is inefficient. It cannot be expected for Cuba to exploit Bulgaria. At this point, it is the laws of numbers that apply. Thus, the production of one ton of poultry requires no less than five tons of feed grain, or a total cost of \$650 (based on 1990 world market prices of \$130 per ton). On the basis of the principle of equivalent trade, if Bulgaria needs 450,000 tons of sugar, worth \$140 million, it could obtain that amount from Cuba by exporting 215,000 tons of chicken, the value of which, in terms of the cost of the necessary fodder, is the value equivalent of the imported sugar. But, if the price of sugar on the world market were to drop to, shall we say, \$150 per ton, the equivalent amount of exported chicken should decline to 100,000 tons. In all cases, Bulgaria should export poultry meat totaling 100,000 to 200,000 tons, which is 10 to 20 times its current exports to Cuba. Naturally, such hypothetical examples merely illustrate the analysis; Bulgaria could vary the quantities of exported kashkaval, canned fruits and vegetables, wine, lard, and so on. However, because Cuba will reorient its exports, it will be forced to buy such products from other countries. (Of late, Cuba has been importing chicken from Canada, Brazil, Uruguay, and Venezuela—that is, countries geographically much closer to it than Bulgaria.)

On the other hand, we should bear in mind that, if profound political and democratic changes were to be made in Cuba, it would begin to diversify its economy and substantially change the nature of its food imports. Today, Cuba imports chicken and other foodstuffs

because of the extreme specialization of its agriculture, which suits its totalitarian regime and its militarized economy. However, along with sugarcane, it could produce many other types of food needed by the population, if agriculture were to be based on total decentralization and the free initiative of rural working people.

From the standpoint of Bulgaria's interests, the exchange of chicken, kashkaval, and lard for sugar makes no sense whatsoever. It would be more profitable for the country to go back to the production of sugar beets and sugar in optimal amounts, rather than obtaining sugar by exporting currently scarce agricultural products.

Many European countries, the size of whose arable land is similar to that of Bulgaria, plant more areas in sugar beets by a factor of 3 to 4. Whereas Bulgaria had 440,000 decares in sugar beets between 1985 and 1988, Belgium and Luxembourg had 1.2 million decares each; Hungary, 1 million decares; and Czechoslovakia, 1.9 million decares. Meanwhile, sugar beet yields in Bulgaria are among the lowest in Europe. In the past decade, Bulgarian yields have averaged about two tons per decare, as compared to five for Belgium and Luxembourg, four for Denmark, three for Sweden, and three and three-fifths for Czechoslovakia and Hungary. Correspondingly, sugar production from sugar beets has been much higher in those countries.

It is obvious that increasing the areas planted in sugar beets and improving the technology used in their cultivation and in the sugar-refining industry would make the Bulgarian economy independent and more efficient in terms of meeting the country's sugar requirements.

The reader can determine for himself who has been profiting and who has been losing so far.

#### **Positive Foreign Trade Balance Reported for May** *AU2406130091 Sofia DUMA in Bulgarian 20 Jun 91 p 1*

[Report by Boyka Bashlieva: "Positive Foreign Trade Balance of \$101 Million Attained in May"]

[Text] For the first time since the mid-1970's, in May 1991 we achieved a positive balance of \$101 million in our trade turnover. Goods were exported valued at almost \$250 million.

During this month, Bulgarian exports to foreign markets comprised raw and other materials, petroleum products, and chemical-industry and engineering products.

In the opinion of Atanas Papanizov, minister of foreign economic relations, the positive balance achieved last month is due mainly to the positive trends taking place in our trade exchange with the Soviet Union.

However, as the monthly figures in the following table show, the positive balance is also due to a substantial fall in imports.

**1991 Exports and Imports in Convertible Currency  
(in millions of dollars)**

Month of 1991	Exports	Imports
January	50	175
February	60	100
March	265	230
April	180	215
May	246	145

[Note: Table was compiled on the basis of a bar graph; for this reason, figures are approximate.]

The monthly figures show that the difficulties at the start of the year were followed by a surge in the level of imports and exports in March, which was maintained during April.

Despite these positive trends, it is a fact that the volume of goods exchange has dropped sharply.

The country's total exports during the first five months amounted to \$1,465 million, representing a 52-percent fall, as compared with the \$3,052 million of goods exported in the same period of 1990.

The corresponding fall in imports is 63 percent, which means that Bulgaria received goods valued at \$1,518 million instead of the \$4,110 million imported in the same period of 1990.

Within the ruble zone, the decline in exports was 74 percent, and, in imports, 75 percent.

According to economic experts, 1990 provides an extremely low base for comparison.

During the period January to May 1991, as compared with the same period last year, Bulgaria increased its imports to Great Britain, Turkey, Libya, Nigeria, and India.

Our exports to Turkey rose by 387 percent, and our imports by 643 percent.

The overall trend is positive. This will restore confidence in Bulgaria, but the volume of goods exchanged is still unsatisfactory, stated Minister Paparizov. In his view, the lev continues to be undervalued, and this is also a factor for restraining imports and encouraging exports.

The undervaluing of the lev may also provide conditions for exporting national income. For this reason, Atanas Paparizov believes that particular benefit will be derived from the expected government decision on the minimum prices at which companies will be obliged to export live animals, meat, dairy products, rough timber, and originally imported ferrous and nonferrous materials.

**Monetary Expert on State of Currency Reserves**

*AU2106092591 Sofia DUMA in Bulgarian 18 Jun 91 pp 1, 3*

[Report by Katya Karagyaurova: "There Are \$120 Million and 31.5 Tonnes of Gold in the State Treasury"]

[Text] At the moment in the state treasury, there is a \$120 million currency reserve, which the government can use for our most pressing needs. That is what remains of the \$192 million received from the IMF. That money is dispersed in different parts of the world, including our own banks. That is what Stoyan Shukerov, head of the Currency Operations Administration, told a DUMA reporter on 17 June.

Because all our currency reserves were wasted by March 1990 and the state went bankrupt in a very stupid way, by the end of February the government was left without even a single dollar, Mr. Shukerov explained. We now have the possibility of at least covering urgent needs, in order to make ends meet, he said.

From the middle of March until now, over \$57 million have been sold on our currency markets. Some \$5 million of credit received from the IMF have been used for participation in capital investment in the European Restoration and Development Bank. Some \$4 million were used to cover expenses until we received the credit from the IMF. Another 5 million were spent on printing 30 billion new leva—in 100- and 200-leva bank notes.

Besides dollars, there is also gold in the state treasury—31,560 tonnes in gold bars, or 1 million and 18,000 ounces. That gold, according to 17 June exchange rates, is worth \$374 million. We can operate with that, if the need arises—sell it and so forth—but experts from the Bulgarian National Bank hope we will not reach that point.

**Draft Law on Cooperatives Discussed**

*91BA0644A Sofia DELOVI SVYAT in Bulgarian 29 Apr pp 1-2*

[Interview with Svetoslav Slavov, deputy of the Green Party, by Mara Georgieva; place and date not given: "Draft Law on Cooperatives"]

[Text] [Georgieva] Let us go back a little bit in the history of the cooperative movement and the legislation....

[Slavov] The first cooperative legislation in Bulgaria was passed in 1897 with the commercial law, in which a special head settled the matter. In 1907 a separate law on cooperative associations was passed, which, after a series of amendments and obligations (the last in 1983), is still in force today. Prior to 9 September 1944, cooperatives contributed 32 percent of the national income and essentially covered almost entirely the sphere of services, industrial arts, small enterprises, and trade. In the period after 9 September 1944, cooperatives were subjected to systematic nationalization and liquidation. According to incomplete statistics, several thousand cooperatives were nationalized, and stocks of 30 to 40 billion leva were confiscated. As a result of this, the cooperatives' contribution to the formation of the national income fell to 3 percent, and the cooperatives' total property amounted to 4 to 6 billion leva. With nearly 1.7 million cooperative members, each should have a share of from 2,500 to 3,500 leva. But this is not the case. At the moment, the cooperative members have shares—that is, ownership in the cooperatives—amounting to 40 to 60



levs, which is 1 to 2 percent of the total property. The remaining 98 to 99 percent is cooperative property/ownership—a separate type of ownership, different from the other types, cited even in the current Constitution.

[Georgieva] In principle, what are the new features in the draft law on cooperatives?

[Slavov] The most important feature is the treatment of cooperative ownership as a form of private ownership. The articles in the law also proceed from this principle. Many of these articles regulate the fact that cooperative ownership should be personalized. This means that it should be registered as cooperative shares for the members of the cooperative. The entire property belongs to the cooperative members. Of course, there are divisible and indivisible stocks. Upon leaving the cooperative, the members can receive the divisible stocks immediately—that could be land, inventory, machines, materials. That part of the indivisible stock that guarantees the continuity of the cooperative and its economic stability is compensated monetarily immediately, or by installments. Another important feature in the draft law is the opportunity for a simplified and democratic procedure for restructuring the cooperatives, mainly in the direction of their division into smaller organizations. Just as in other sectors of the economy, in the cooperatives there was a crude state administration that led to the cooperatives' abnormal growth and to their depersonalization. These cooperative giants included several towns and villages with several thousand members. This was convenient for the state to keep them under control and was exceptionally ineffective as an economic structure. Today, under the new conditions, when only the small enterprises will be able to survive thanks to their flexibility and adaptability toward the changing market conditions, I hope that the cooperatives will reorganize themselves. They will be divided according to territorial or generic principles and will find the most exact form for survival. They can decide this in their general assemblies, without waiting for "directives from above."

[Georgieva] What preferences does the draft law provide for the cooperatives?

[Slavov] The cooperatives are a group of socially weak economic subjects (natural persons), who, through a voluntary combining of their efforts and ownership, pursue economic and social goals. Thus, they can withstand the large-scale industrial and business capital in the free market conditions. Therefore, all cooperative legislation, including ours, provides for certain concessions. In the first place, the cooperatives are free from any taxes and charges connected with their formation, restructuring, registration, liquidation, and so forth. This also exists in the law currently in force. The new law stipulates that the cooperatives be exempt from tax on firms—a tax on the balance profit. It provides that the whole profit be divided among the owners according to their joint capital. After that, they, as natural persons, will pay the tax on the total income. It should be noted that, according to the new law, the principle of "one person—one vote" will be in force. That does not allow those having stronger economic positions or larger shares to dominate the others.

[Georgieva] How does the draft law regulate the relations between the cooperative and the state?

[Slavov] Regarding the duties, charges, and taxes, the cooperatives have obligations to the state (as does every other economic organization) less tax on the profit.

[Georgieva] Are the farming cooperatives also a subject of this draft law?

[Slavov] Yes, this draft law treats farming cooperatives on an equal level with the others. These farming cooperatives will, of course, be cooperatives of a new type. The draft law allows membership in several cooperatives. In the West, this is very widespread—one cooperative can supply you with chemical fertilizers and machines; another will buy milk, process it, and sell it; a third will handle grain; and so forth.

[Georgieva] In the parliamentary commission for economic policy, it was said that the draft law on cooperatives was done very thoroughly....

[Slavov] This variant of the draft law combines several draft laws—from Mr. Lukanov's government, prepared by the Central Cooperative Union of the Labor Productive Cooperative; from Mr. Stefan Radoslavov on behalf of the Bulgarian Social Democratic Party; from Mr. Atanas Ganev, who provided the draft law for the Labor Cooperative Farm; and my draft. My draft was one of the more extreme variants and gave a great number of rights to the members of the cooperatives, especially regarding the joint capital. The draft stipulated that, besides the cooperative shares, there would be no other ownership. And the newly acquired property would be distributed among the members, as their cooperative shares were certified. A compromise variant was approved, according to which the cooperative's general assembly will decide which part will be distributed in shares and which will form the indivisible stock. Ultimately, the indivisible stock is also personalized, as I already said.

#### **Fees for Entry Visas To Be Increased**

*AU2406192591 Sofia BTA in English 1854 GMT  
24 Jun 91*

[Text] Sofia, June 24 (BTA)—Today the government adopted a decree under which state fees for visas and consular services will be raised. The fees will be paid in leva in Bulgaria and in U.S. dollars abroad. Bulgarian citizens permanently settled abroad will pay 100 leva for renewing the term of their Bulgarian passports. Foreign citizens who wish to visit Bulgaria will have to pay 360 leva for a one-time entry visa, 720 leva for a many-time entry visa, 180 leva for a transit visa, 240 leva for a double transit visa. Express entry visas will cost 720 leva and express transit visas 480 leva.

The decrees, which until recently divided foreigners into citizens of socialist and non-socialist countries, are canceled.

**Environmental Dispute Over Battery Recycling***91CH0642C Budapest MAGYAR HIRLAP  
in Hungarian 6 May 91 p 9*

[Article by Sara Pogany: "Dispute Over the Battery Dump: They Even Bribe the Citizens"]

[Text] An odd situation evolved as a result of the fact that an environmental protection investment project was attacked based on environmental protection considerations, and not without foundations. At issue is the HAF [Used Battery Processing Plant] to be established in the Matra mountains. But there is more to it. The investor is extorting the citizens of Gyongyosoroszi.

The batteries constitute hazardous waste because of their lead content. At the same time, however, the lead contained in the batteries can be reused, and the amount of retrieved lead could satisfy the 14,000 ton annual lead requirement of Hungarian battery manufacturers.

Quite naturally, in the late 1970's persons in authority were not guided by environmental considerations when they established a used battery processing plant in the Matra mountains. The production capacity of the OEA [National Ore and Mineral Mines] declined rapidly and production became inefficient. Mines were gradually closed, but something had to be done with the people who remained there, because the word "unemployment" did not exist in the vocabulary of state party socialism. Based on information received from the Ministry of Environmental Protection and Municipal Development, Jozsef Marjai, the person then in charge, was unable to find a better solution to manage unemployment than to establish a used battery processing plant, even though at that time already the Matra-Bukk region was the territory of persons seeking to recover from heart and asthma disorders and wanting to rest.

The American Martech firm which assesses environmental damage in East Europe around Soviet barracks had this to say in a study concerning a plant to be established at a distance of six kilometers from the Galyateto sanatorium: "Any kind of industrial activity has damaging effects on the environment."

Consistent with contemporary customs, the then president of the National Gravel and Ore Mine made a decision concerning the establishment of the plant. He did so jointly with the secretary of the county party committee, without any preliminary environmental assessment or plan, even do the populace and official organs were opposed to the establishment of the plant at that time already. However, all that was in vain. Construction began and the plant was 75-percent complete.

An opportunity to act arose following the first free elections. Based on the law providing for Autonomous Local Governmental Bodies, the new autonomous local government of Gyongyosoroszi withdrew the construction permit, and called OEA's attention to this fact. The letter stated that previous decisions with respect to the construction were made under manipulated circumstances, at the same time

the construction permit lost its validity after two years, and that accordingly, further work on the project was illegal.

In addition, the mayors in the region representing Gyongyosarjan, Gyongyosoroszi took a joint position to protest the HAF construction. They were joined by the Matra-Bukk Executive Committee, the Grape and Wine Producers' Association of the Lower Matra Region, and by the Heves County Alliance for Environmental Protection.

The situation turned critical in 1991. So far, the OEA enterprise has spent almost 500 million forints on HAF, virtually all of it from state grants. Accordingly, the enterprise must face bankruptcy unless HAF is constructed. This is because they must begin paying installments on the basic state funding, amounting to about 50 million forints per year. The State Development Institute forgave this year's 50-million-forint payment by granting a delay. But since the investment remains incomplete the enterprise does not receive its planned annual profits of 400 million forints either.

OEA division director Istvan Majoros in essence acknowledged the fact that about 3,000 workers would have to be dismissed unless HAF was completed, and that there was no other solution. Therefore, nothing was too expensive for the enterprise. They tried to bribe the citizens of Gyongyosoroszi for their support of the construction. Nothing served to prove this fact more than the following excerpts from a letter we received from the Gyongyosoroszi mayoress: "... He came to see me at my home and said that if I supported the construction of the HAF plant he would have my pension increased.... He first asked to how much my pension payment amounted. He said that if I put my signature to a statement supportive of the HAF construction he would guarantee that my monthly pension would be supplemented so as to amount to 8,000 forints. I did not sign of course, because I could not imagine that he would have so much influence.... He offered to supplement my pension payments with 500 forints per month and to arrange for social welfare payments in exchange for my signature in support of the HAF plant construction."

At the same time it appears as incomprehensible to this reporter why the enterprise fails to agree to a recommendation made by the Ministry of Environmental Protection and Regional Developments, as well as by the people of Matra and others to construct the plant somewhere else, in a zone not regarded as special from the standpoint of environmental protection and foreign tourism. Marton Peter Simon of the ministry said that several local governments expressed willingness to agree to locating the used battery processing plant within their jurisdictions.

The Ministry of Industry and Commerce has issued a tender invitation for the collection of used batteries and for the construction of crushing plants. This would temporarily satisfy the need for destroying batteries scattered throughout the country. Acid would be extracted in Hungary by the plant, while the Austrians would agree to perform the smelting. Bids will be evaluated within two weeks. But they have not abandoned the idea of constructing a complete factory in Hungary.

Regardless of this, the OEA Enterprise will file an appeal to overturn the revocation of the construction permit.

**Bugaj Describes Labor Solidarity Program, Plans**

91EP0511A Warsaw GAZETA SWIATECZNA  
in Polish 25-26 May 91 p 8

[Interview with Ryszard Bugaj, cofounder of Labor Solidarity, Sejm deputy, and economist, by Danuta Zagrodzka; place and date not given: "A Capitalism of Equal Opportunity"]

[Text] [Zagrodzka] You said in an interview that unlike other political groups Labor Solidarity has a vision of Poland. What is that vision?

[Bugaj] We are not the only ones who have such a vision. For example, the Congress of Liberals [Liberal-Democratic Congress] also has one. A number of other groups, for example, the Democratic Union [UD], are too diverse internally to have developed a vision. Labor Solidarity proceeds on the assumption that for many years to come Poland will be reconstructing its constitutional order. We are convinced that in the economy there are no shortcuts. As a result, we believe the end of these changes cannot be stated categorically today. That distinguishes us from the liberals who "know" that the end will be liberal capitalism. We think that conditions for free evolution must be developed. Communism blocked them. Now, once again, free evolution is being blocked.

[Zagrodzka] You speak of a road, but not about the kind of Poland you want.

[Bugaj] The road is the most important item. I do not agree with Jacek Kuron who claims that he will be a social democrat when we have built capitalism. If it is to be capitalism, the most important question is what kind of capitalism it will be. That question will be overriding for the next few years.

[Zagrodzka] But does not the time for social democracy—which fights primarily for a just distribution of goods—come when there is something to divide, when we have already reached affluence?

[Bugaj] That is a misunderstanding and an oversimplification. Even during the transformation we must see to the implementation of three principles: social justice, self-government, and state responsibility for economic development and the material situation of the citizens.

[Zagrodzka] Let us begin with the last item. Doesn't a market economy, which Labor Solidarity does not question, assume that the citizens themselves care for their material situation and that the state cares only for those who, for various reasons, are incapable of caring for themselves?

[Bugaj] In an economically backward country, things must be different than in a developed one. In the first case, the role of the state must be greater than in the second.

[Zagrodzka] But it is precisely in a backward state that the state has no money, which, as chairman of the Sejm budget and finance commission, you know quite well.

[Bugaj] The level of development is not decisive; the main problem is the model chosen. Let us compare two countries with the same per capita national income—Sweden and the United States. In the first, the welfare service of the state is perhaps excessive; in the second, it is very limited. And at the opposite pole—Poland and Turkey, which are of similar wealth. In Turkey, on the one hand, there is ostentatious consumption and, on the other, a great realm of shortages. In Poland, that is still not the case. We must decide then whether we are going rather in the direction of the Swedish or the American model. There is also the question whether the state is to be only a night watchman, as the liberals want, or whether it is to play a fully active role in stimulating development. If we want to maintain a minimal material standard for various social groups, the state must gather and distribute resources in a broader fashion.

[Zagrodzka] But that is exactly what was done for the last 40 years with lamentable results!

[Bugaj] That is not true. The communist state was not as much of a welfare state as has been claimed. A comparison with the Western countries completely proves that. On the other hand, there was a tremendous redistribution of resources between enterprises, i.e., the state took from one to give to another and that was nonsense. I agree that great differences in the material condition of people contribute to the gathering of private capital, but if we shatter the equal chances, then we must count on the great social distances inevitably causing a violent social conflict. The groups now being pushed to the margins (especially the workers) have been raised in a tradition of struggle, and they will not give up easily. Liberal capitalism in Poland can be introduced quickly only by force—figuratively speaking, in the Chilean manner.

[Zagrodzka] What do you understand by the term "social justice"? These words have been so abused that no one knows any longer what they mean.

[Bugaj] Today it means all of society should not finance a small groups' capital accumulation. That is an elementary requirement of justice. Meanwhile, a great shift in the tax burden in favor of the rich has occurred and is continuing. Great fortunes are being formed in scandal-ridden circumstances (the import of alcohol, cigarettes, electronics)—without paying any taxes. In the income tax law being prepared for physical persons, the highest tax rate on the highest incomes is 40 percent. That would be one of the lowest rates in the world.

[Zagrodzka] But hasn't affluence always developed under fairly dirty circumstances? The enterprising deserve a "premium" for their entrepreneurship; punished by great taxes, they will flee.

[Bugaj] Affluence has developed in various ways. For example, Bismarck's Germany at the end of the last century developed a system of social insurance.

In terms of education, communism raised the level of our society; that is an uncontroverted fact. We are in Europe. If someone seeks 19th-century relations here, it will cause great protest. It is not just a question of material things, but also of interpersonal relations. The idea of massively "commercializing" state enterprises, bringing in people from outside who have no ideas and are to repair them, can only cause sharp conflicts. That is an idea which is motivated by an ideological conviction that employees must be deprived of influence on the operations of the enterprises.

[Zagrodzka] At present self-management, however, frequently acts to the workers disadvantage. A triple set of authorities—director, self-management, trade unions—paralyze management and threaten the state enterprises even more.

[Bugaj] What is happening in the factories today is the result of people's frustration, the low qualifications of the management personnel, and the political situation in the enterprises. A question: what would happen if there was no escape vent in the form of the self-managements? The self-managements have frequently become little boys dependent on the help of the factory Solidarity commission because their prestige has been reduced. In state enterprises, in private ones also, where the employees are educated and have aspirations to be comanagers of their country, some form of joint management is essential, and it does not have to be based on current law. Enterprises that have overcome the manager style are the ones that have achieved true economic success in the world. Today, however, it is necessary to think about strengthening the position of the directors, perhaps on the basis of multiyear special contracts between the self-management and the director. The basis for the contract could be a program for reinvigorating the factory that the director presents. That would make it possible for him to work calmly, and it would not deprive the employees of general influence on what happened in the factory.

[Zagrodzka] You are very critical of the government economic program and its results, but you were in large part responsible for its form. You cast the deciding vote for the so-called Balcerowicz plan in the Sejm. Have your views changed so much?

[Bugaj] I have not changed my views. Unlike Leszek Balcerowicz, I have never thought his plan is the only road. I have always thought that we are stumbling about in the dark. His program, although the chance was slight and although it was certain that we would bear high costs, offered a chance for success. Failure, however, was not inevitable.

Second, the political situation was decisive. I made a proposal to Tadeusz Mazowiecki, when he began forming a government, that he quickly form a "political cabinet" because the economic choices were so difficult, so that [he could] name acting economic ministers and also form two groups with differing orientations, which

would present two different programs three months later. Then parliament and society would choose the program and the people. Mazowiecki refused.

My criticism increased drastically in the summer of 1990 when ripples became clearly visible; the government, however, did not want to face squarely the problems that had developed. They gave the utopian answer that we would overcome the recession when we privatized a significant part of the economy. That point of view, it seems to me, has been maintained. It is also said that given the change of the order the costs, in fact, are of no significance. I cannot accept that.

[Zagrodzka] But all postcommunist countries have gone a similar way.

[Bugaj] Not all of them. Hungary has not. In any case, we will see how they behave in a few months. The Polish example will be decisive for them. We, unfortunately, are building an economy not on the historical examples of countries that created market economies, but from neoclassical textbooks. Liberals give simple answers to very complicated questions. What else is Leszek Balcerowicz's program than a positive real interest rate, market prices, a tax on excessive wage increases, a balanced budget, and limited convertibility for the zloty? Is that an industrial policy, a philosophy for economic development, social welfare, etc.?

[Zagrodzka] Given this comment, do you think that Balcerowicz's plan should be abandoned and that he himself should resign?

[Bugaj] No. The principles, which I mentioned (except for the tax on excessive wage increases), once introduced should not be abandoned. It is another question whether they should have been introduced temporarily. The interpretation of these principles, however, leaves a fair amount of free play. But most of all, the program must be supplemented with an active industrial policy, a sector policy, selective support of exports, a thoughtful transformation in the direction of a welfare state.

[Zagrodzka] And Balcerowicz himself?

[Bugaj] Prior to the elections, no one can form a sensible cabinet. Leszek Balcerowicz is also treated by some groups as a guarantee of radical reform, and that is important. A new cabinet must have political support in parliament in order to have a chance to implement its ideas. That is possible only after elections.

[Zagrodzka] Labor Solidarity is still an informal intellectual movement. Such a structure provides no chance in elections. Is it going to present candidates?

[Bugaj] Elections also consist of organization and money. Our organizational situation does not provide us with great abilities. We have not yet decided to participate in the elections, although we will probably make such a decision. As regards structures, they still do not

exist, but Labor Solidarity political clubs are being formed. There are now two, and by the end of May a few more will be formed.

[Zagrodzka] Who belongs to them?

[Bugaj] In general people associated with factory Solidarity commissions or with self-managements.

[Zagrodzka] You have no organization, but you have a program. For the political parties, the situation is the exact reverse, thus one sees a lot of activity around your group. Who would be along your way?

[Bugaj] Perhaps Zbyszek Bujak's group, which is young and new. Jan Jozef Lipski and a few other people from the Polish Socialist Party [PPS] are in Labor Solidarity; there is one problem with the left wing of that party, whose rhetoric, for example, on the IMF we cannot accept. But in both cases substantive agreement is needed. It would be bad if we repeated the slogans of the Democratic Union [UD]. People must have a clear choice.

[Zagrodzka] In your program planks you raised the slogan of a modernization coalition of the working people with the world of the new entrepreneurship. Is that still valid?

[Bugaj] In Poland, a balance between different interests—entrepreneurs, farmers, and workers—is needed. We are not interested in eliminating the representatives of the fledgling Polish capital. Unfortunately, there is a growing conviction that the entire political class is separate, that it has its own collusions and interests, and that it does not react to the aspirations of the large groups, and this conviction threatens democracy. Unfortunately, there is something to it.

[Zagrodzka] And a pact for Poland?

[Bugaj] For a long time, we have spoken of a contract based on a correction, not a rejection, of the economic program. Now the situation has worsened dramatically, and the key is to gain three or four months to prevent, for example, the bankruptcy of a few large enterprises. In view of this danger, it is essential for the government, the parliamentary groups, and the trade unions to develop some compromise package which will stabilize the situation and provide time to create an industrial policy.

[Zagrodzka] I get the impression that your potential electorate—the workers of the large factories—is more radical than you are. In your program there are many compromises, various formulations like “yes..., but....”

[Bugaj] There are two models of politics—flatter the voters or present them with your program and hope that it pleases them. We have chosen the second variant.

### Border Security in New Political Climate

91EP0498A Warsaw ZYCIE WARSZAWY in Polish  
7 May 91 p 6

[Article by Wlodzimierz Konarski: “Around the Polish Borders: Problems of National Security”]

[Text] The effect of the political changes in Europe on the military security of its countries and the continent as a whole has been a topic of broad international discussion. Dozens of specialized civilian and military think tanks are swamped with orders for analyses and assessments of this topic. In the Western press competent, professional reports on the subject are increasingly encountered. In this country, in contrast, it is rarely that anyone discusses it by voice or in print; there is an absence of genuine discussion. And when we do discuss national defense, discussion is confined to our borders alone. As to what is happening outside these borders, even in their immediate proximity, that is of little interest to us. That is a pity, because it is precisely, or perhaps even above all, this that concerns the new sovereign nature of our national defense system. We want to have our own secure niche within the framework of the new European military order. But we have to know how to gain that niche and how to help in forming that new order in full awareness of what is happening outside our borders. Let us therefore peek out of our borders, at first into the neighborhood, and consider the military changes stemming from the new political situation.

### The North

The Baltic, that “Poland's window to the world,” had long ago been supposed to be “the sea of peace.” However, this propaganda slogan has remained on paper. It has not been possible to reach military agreements concerning this nearly landlocked sea. It continues to be dominated by the mighty Soviet Baltic Fleet with its nuclear armaments. The German Bundesmarine with its up-to-date equipment but more defense-oriented nature, will be, as a result of recent international agreements, limited to 23,000 military personnel. The navies of the other Baltic countries, including Poland, are decidedly defense-oriented, lacking elements of potential threat to others. Strategically considered, the Baltic is a priority neither to NATO nor to the USSR. Besides, the Russians seem to be inclined to reduce their military potential there. Of a certainty, they would not reject an offer to regulate military activities on this European sea provided that, on the principle of reciprocity, they would benefit through greater security of their Baltic seacoast.

The prospects for a relatively secure sea frontier for Poland are beginning to be politically more realistic than they had been as recently as several years ago. Here the first step could be an agreement among the parties to keep each other dutifully informed about any military operations at sea so that every user would know that this is something routine rather than a threat. From the political point of view that would be a major breakthrough because, so far, arms control has been limited to

land and air operations. And as for Poland's interests, they could only benefit from such an agreement.

### The South

We have no territorial disputes with our southern neighbor, nor are we estranged from her by any fundamental political controversy. The political-nationality problems of present-day Czechoslovakia are certain to be resolved. We should wish that to our neighbor. A stable and prosperous Czechoslovakia is an affirmation of the security of our southern frontier. It would also be better for us if both Poland and Czechoslovakia, which have always been too distant toward one another, were to accomplish a genuine rapprochement. This is being promoted by the recent agreement on military cooperation, and other ways of achieving this rapprochement should definitely also be tried. The Czechs and Slovaks, too, believe that there is no military threat to their country, since at the Vienna negotiations they decided to substantially reduce the quantitative extent of their offensive armaments. In proportional terms, their reduction is greater than that of Poland. In security matters they, like we, are exploring closer cooperation with the West, but even now they are beginning to understand, just like the Poles, that the cooperation with Poland and Hungary is no less important. Thus, south of Poland we have a chance for not only stabilizing our security but improving it by fostering rapprochement with our neighbors.

### The West

Here the changes are the greatest, if not historic, i.e., the disappearance of the line of military division of Europe represented by the boundary between the German countries, and Germany's recognition of our western frontier. That is common knowledge. But it is less well known that units of the Bundeswehr with two special distinguishing features are being gradually brought into east German territory: first, unlike the remainder of the German army, they do not belong to the military structure of NATO, and second, their numbers (of a certainty below 100,000) and armaments are to be of a nonoffensive nature. As for that second particular feature, that is so according to the assurances provided us by German experts. They are probably to be trusted, even though, in the domain of the military, it is always worthwhile to shore up trust through an appropriate verification. An agreement on this could be reached, on the principle of reciprocity. As can be seen, contrary to what some think and write, in the military sense we and NATO still are not neighbors on the Odra River, though in the political sense we are.

This situation on our western boundary may change after 1994 when the last Soviet units depart from eastern Germany and, it is said unofficially, the Bundeswehr units stationed there will then become part of the military structure of NATO. Perhaps that would be the preferable outcome. An on-schedule withdrawal of Soviet troops from the territory of the former GDR

would be an operation of major importance to Europe and an indispensable element of the new European military order. We can contribute to this by facilitating the transit of these troops across Poland. In the future, which should begin to be considered even now, Polish and German interests will find a common denominator. Neither troop concentrations nor offensive armaments exceeding an impermissible minimum would then be needed on either side of the Odra. We shall be neighbors with NATO, both politically and militarily. The Odra and the Nysa will become a genuine frontier of peace and cooperation.

Should this optimistic scenario come true, the armed forces of NATO would not at all have to be advanced farther eastward, and they may even retreat in order to emphasize their exclusively defense-oriented nature. For all this to become possible, substantial political efforts and favorable circumstances are still needed. We must also bear in mind that events outside our western frontier will influence the situation on our eastern frontier, and vice versa.

### The East

From that direction, too, there is no military danger, but there is the instability in the USSR, which worries and disturbs some people. The three Soviet military districts adjoining our border contain mighty military potential, even though in capacity and combat readiness it lags considerably behind the groups of Soviet troops in Germany. Since the military spearhead of NATO is directed eastward, the Soviet Armed Forces in the European part of the USSR are oriented westward. Such is the reality. The Soviet units being withdrawn from East-Central Europe are for the most part to be stationed precisely on the other side of the Bug River. The question then is whether a huge Soviet military concentration might not arise just behind our eastern frontier? This is going to happen unless Moscow ratifies the Treaty on Conventional Forces in Europe signed in Paris. In that document of international law the USSR pledged itself to adhere to numerical limitations on offensive arms precisely in these three military districts. If the treaty is ratified, a part of the Soviet army on the Bug River will have to be relocated into the interior of the USSR. There is hardly any need to explain that such a move would be good for both Poland and Europe. In this event, and let us hope that it happens, the military frontier of Europe will be located not on the Bug but in the Urals, that is where the West and the East decided that it should be. Despite the crisis in the USSR and its hardly foreseeable unfolding, this is quite possible. Then the military situation behind our eastern frontier would be stable. Such a favorable outcome to Poland could be reinforced if we were to conclude a military agreement—but not an alliance—with the USSR to safeguard the security of both ourselves and our big neighbor, who has, after all, done so much in recent years for the military security of Europe (and who besides can do still much more).

Given the new situation on all our borders, issues of military security and cooperation have to be reconsidered from the scratch. This should moreover be done so as not to impair the outline of the new military order arising in Europe. Our noninvolvement in military alliances, supported by an "equally close" cooperation with our neighbors, may become an attractive concept to both us and the entire continent, until that order becomes the basis of our national security. But achieving such results requires a clear program of action, a competent professional diplomacy, support by the society, and a credible—in measure with our possibilities—defense-oriented military potential which threatens no one but must constitute a solid attribute of our independence.

**Need for Fine Tuning of Defense Doctrine Voiced**  
*91EP0505A Warsaw POLSKA ZBROJNA in Polish*  
*15 May 91 p 3*

[Article by Antoni Andrzej Piotrowski: "New Defense Doctrine of the Republic of Poland: Content Is More Important Than Form"]

[Text] The shape of changes in the Republic of Poland's defense system is emerging gradually. At least that it how it seems from the press reports on the work of the Interministerial Commission for Reform Affairs in the Organization for National Defense. An important component of these changes is the new defense doctrine of the Republic of Poland.

It is true that haste is not indicated in this matter. It will take time to arrive rationally at recommendations regarding doctrine, recommendations that especially take into account the changing map of security structures in Europe, including the dissolution of the Warsaw Pact above all. Undoubtedly, the effects of changes in the deployment and number of armaments must be considered, as well as the consequences of unilateral reductions and those reductions planned according to the terms of the Conventional Armed Forces Treaty (CFE). This includes in particular the effects of the new strategic situation emanating from the withdrawal of the USSR from Central Europe. The experiences of the war in the Persian Gulf certainly have an impact on doctrine. The new doctrine must be intimately incorporated into the new democratic system of the Republic.

One must agree with the view that, given the current dynamic rate of changes, it is difficult to predict completely their end result. We are in a kind of transitional period in which the old structures are crumbling while the new ones have not yet begun to work. If we created a long-term doctrine, given our situation it would be a transitional doctrine and its viability would be difficult to predict. Moreover, it is understandable that the new doctrine would have to openly dot certain "i's," particularly with regard to our relations with our eastern neighbor. In the face of the serious problems that lie along this bilateral line, perhaps it would not be advisable politically to dot these "i's" right now.

However, there are at least two reasons why work on the new doctrine should be stepped up.

In the first place, in any event, the doctrine is the fullest verbal expression of the state's intention with regard to military security. Meanwhile, today the Republic does not have a credible defense doctrine as such. The doctrine adopted by the KOK [National Defense Committee] a year ago is, formally speaking, still obligatory, but actually a dead letter. Obviously, there are many reasons, including the fact that the doctrine's entire structure was based upon the assumption of the operation of the Warsaw Pact, an organization which is now dissolved. The KOK doctrine was also founded upon the perception of danger only from a West which is slowly becoming our supporter—including our supporter in security matters. Obviously, there is no significant reason for us to polemicize over a dead doctrine. Moreover, mere formal retention in force of a doctrine which has the official status of a KOK resolution does not earn respect for this type of document.

In addition, the interpretations one hears of our new strategy do not always harmonize with one another. On the one hand we hear that our ultimate model is armed neutrality. Then we hear from other people that neutrality is not the recipe for the problems of Central European security.

In a word, a defense doctrine is by no means merely our own internal affair. The fact that the doctrine was made the subject of an international dialogue is itself proof of the international scope of this issue. In 1990, in Vienna, the first seminar on this topic was held at the level of chiefs of general staffs within the CEMA framework. This seminar was preceded by a joint Polish-German initiated extragovernmental seminar. Another meeting will take place this year within a short time. Our partners would be interested in finding out the obligatory interpretation of our doctrine. And they have a full right to demand this.

A second important reason for speeding up work on a new defense doctrine is the depth and scope of the changes occurring in the organization of our defense system. Of course this can be done pragmatically, step by step, based upon the tested solutions of others and a general political intuition. However, it would not hurt if it were based upon a clear statement of doctrine. Likewise, it would be easier for public opinion to find the central idea guiding the changes.

Obviously, a defense doctrine should not be born in isolation, but should emanate from the entirety of security policy. This is especially important today since the role of the military element treated in the defense doctrine is continually declining relative to other elements of security and the associated dangers.

At the same time, a defense doctrine does not at all have to be either a legal document or all of a piece. The content, not the form, is more important.



The document should present the interpretation of our defense policy. It must do this in a way that is comprehensible enough to be readily assimilated by our public opinion. It should also be unambiguous enough to convince a foreign recipient of the sincerity of our intentions. It is, above all, a political document. The purely military element in it is present as determined by the political element. The military element plays the role of a plane of reference for political ideas, while at the same time verifying their credibility.

Of course, there are many issues related to the doctrine; frequently, these are complex. While it is true that not all of these can be treated publicly, the sphere of military secrecy is continually narrowing.

We should begin from basic matters, even though they seem to be truisms. Above all, we must realistically pose the question of the missions of our Armed Forces, both in peacetime and in the event of war. The degree of likelihood of armed conflict waged over Polish interests is slight today. Hence, it is realistic to assume that the major emphasis should be upon peacetime missions. Certainly, guarding the inviolability of our territory, including our waters and air space and protecting our borders are among these missions. We should not hide the fact that under our circumstances, the Armed Forces will remain an attribute of sovereignty and a guarantee of sovereign freedom of action in the international arena. The Armed Forces are also a source of aid in extreme cases (natural disasters, etc). Finally, there is our participation in international peace missions in the world. These are all missions which our Army can realistically perform with its own forces, without resorting to the help of others. Thus, it is a question of properly determining the number and the quality of armaments, the organization of forces and the like.

Locating such peacetime missions high on the hierarchy of tasks obviously has practical consequences. It has turned out, for example, that efficient patrol ships are more important for our Navy than submarines and the like, for example.

From the viewpoint of so-called self-sufficiency, it will certainly be much more difficult to consider our most critical missions—our wartime mission of repelling aggression and our related peacetime mission of deterrence against attempts at aggression.

Attempts here to convince ourselves and others that we are in a position to counter every attack alone or to exert effective deterrence are hard to believe. The simplest calculations are enough. And in this situation supporting neutrality or outright refusing a guarantee of aid rings dissonant. The whole essence of our doctrine should be the internationalization of our security. We can tolerate today's actual neutrality or rather noninvolvement, but we cannot afford to make it into a virtue. We must state directly that it would be better to have solid, multilateral guarantees of security with military aid in case of aggression, etc. To date we do not have the kind of guarantees

we would like. And thus, it is only because we do not have what we would like that we are obliged to like what we have.

However, the doctrine that establishes our efforts to internationalize every threat of aggression on our territory must be based on the so-called possibility of our resisting aggression exclusively using our own forces.

To describe the principles according to which we shall operate in this situation does not hinder us from discussing questions that are perhaps elementary, for example, the question of the use of our Armed Forces beyond the boundaries of Poland. I think that the so-called principle of the nonuse of forces outside our own territory has been quite compromised both by life itself and by earlier publications (the excellent article written by Prof. Dudek in *POLSKA ZBROJNA*). If this is so, then we must give more thought to when and under what circumstances our armies will cross the border. Then we will reconcile the slogan of our exclusively defensive plans with political logic and the common sense of the military art.

Another, somewhat related question is the issue of preventive strikes or, more precisely, deciding whether or not to refrain from such strikes. Announcing that we will refrain from such strikes would be in our case not only a manifestation of realism but also evidence of an exclusively defensive position.

It would also be worthwhile for us to attempt to determine the tasks that give sense to our defensive activities. The classic responses one hears from other states are, above all, not to yield up territory and, in the case of a necessary retreat, then to delay movement and to weaken the enemy, and, as an ultimate task, to restore the previous status quo. It seems that in the new public doctrinal document we should place emphasis on the element of the maximum length of time to engage the enemy's forces and the maximum losses to inflict upon him so as to make impossible the implementation of the planned political and military goals of aggression.

While it is obviously difficult to speculate publicly about the potential goals of aggression, we must be prepared for them. Today it is difficult to envisage, for example, whether the threat of the deprivation of our statehood comes into play, but we cannot ignore the issue of the occupation of some part of our territory as a political goal, for example, or the destruction of our military and economic potential. And if this is so, then how does the likelihood of one threat and not another affect the dislocation of our forces and the like?

It would be worthwhile for us to establish the principles upon which the implementation of the preceding defense tasks would possibly be based. And here we must realistically state that in defense preparations we should take into consideration the great possibility that a strike initiative (the element of surprise) and the advantage will be on the side of the aggressor.



Another element of doctrine is the description of the strategic shape of defense, the tasks of the individual branches of the Armed Forces, Civil Defense etc. A public doctrine cannot and should not completely delineate tasks in the event of war of individual operations and tactical contacts and units, although obviously a general description explaining why there should be four military ships of a particular variety and what should be done with them in the event of war, etc., would not hurt anyone.

Our relationship to the so-called foreign element in our defense system merits separate discussion. As I have already pointed out, however we sloganize our status, we cannot see in it any sort of refusal of help from third-party states to resist aggression, whether in the form of an international document within the framework of a collective security system or in the form of bilateral or multilateral allied ties. And if so, then it should be stressed that the instances and forms of aid should be decided only and exclusively with our participation. If we assume the granting to us of armed assistance, then do we assume the presence of foreign armies on our territory in the course of the conflict? It seems that it would be rash to exclude this. Politically speaking, the issue of the presence of foreign armies in peacetime is more interesting. And here it would likewise be rash to exclude this question even if it is associated with a negative reaction from one of our neighbors.

However, it would seem advisable to keep such a stationing option open under conditions (for example, that these may be international forces with our participation within the framework of a cooperative security system, that it would be, for example, a brief stay for the purpose of joint exercises, etc.), with the assumption that at the present time and in the present configuration of threats and guarantees, it is not necessary to station any Armed Forces.

Much more critical than stationing, especially today, is our doctrine of being equipped with equipment and technology. No one believes that our native industry is a major source of supply. Thus, we must offer doctrinal justification for our desired optimum geography of purchases. By what principles shall we be guided: accessibility, quality and cost? Will the diversification of sources of deliveries be a long-range political principle or an immediate measure?

Perhaps less significant, but also very telling about doctrine is the use of foreign forms of training. And here, likewise, it would be worthwhile to formulate basic principles.

An aspect of doctrine which is assuming greater and greater importance is the constitutional-legal and political framework of the place of the armed forces in the state and society. There is no doubt today that the more an army is set in democratic structures and subject to fully democratic mechanisms, the greater the confidence in the given country for the more predictable its

behavior. On the other hand, where armed forces operate according to the principle of a state within a state, functioning in domestic life without democratic control, their partners' suspicion is increased.

The shape of military life and official and citizens' mechanisms in the army are likewise of critical significance.

The descriptions which make up doctrines should likewise present a training model that is as clear as possible (its phases, characteristics, etc.). This picture should go beyond mere generalities.

Of course, the purpose of the preceding solutions is neither to resolve the exhaustive list of questions to be treated in a doctrine nor even less so to suggest ultimate prescriptions.

It would be good for the discussion of such prescriptions to extend beyond the seclusion of offices. This is especially the case since issues of doctrine involve the public good. It is also difficult to presume that everyone who would like to say something on this issue will be able to utilize the framework of the interministerial commission. A public discussion could only enrich the array of possible options to be considered.

Given the tremendous number of changes awaited by the Army, the press of matters concerning the specific, pragmatic tasks related to equipping the newly functioning Armed Forces is understandable. Nonetheless, a deeper, doctrinal reflection upon these undertakings will not be harmful.

#### **Need, Ways To Attract Foreign Investment**

*91EP0499A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 6 May 91 p 1*

[Article by Dr. Jaroslaw Mulewicz: "Development Requires Capital: Lacking Our Own, We Need Foreign Capital"]

[Text] The basic problem of economic development in Poland is lost in the exchange of views and confrontation between positions in economic matters that have been appearing in the mass media. This problem is money, specifically the lack of it. Everyone senses this. The State Budget in March and April of this year showed a substantial deficit. The State administration lacks money for everything, beginning with communications through health maintenance, the environment, education, etc. Enterprises lack money for investment and improving equipment.

This is the prism through which we must consider all Polish economic problems. Let us take privatization as an example.

Regardless of whether enterprises and state property are divided among the people in one form or another, or if an individual owner will get them under preferential conditions, or if someone will finally buy them from the

state (at least in part), a continuing basic problem will be the lack of funds for "catching up with the world." A shipyard may belong to the personnel as might a mine, a steel plant, etc. This will not change the fact that without investment, new equipment, and technology, and therefore mainly money, the shipyard, steel plant, or mine (or at least a part of it) will be bankrupt since it will continue to be noncompetitive in an economy open to international competition, which we are creating.

The reawakened social ambitions, encouraged by declarations of politicians, create the delusion that in the course of a few years Poland will achieve a standard of living and level of development comparable to the most developed countries. Nothing is further from the truth. Depending on our own savings and our country's capital which is just coming into being, we will have to wait decades, and governments not able to meet reawakened social ambitions will alternate in short terms, making and not keeping promises of a better economic fate for millions of our people.

Without massive capital investments, modernization, new organization, and technology, some of our enterprises, whether in the hands of the personnel or an individual owner, will remain noncompetitive in the international market.

The bankruptcy of the "exhibition window" of socialism that the GDR attests to the scale of the problem. The desire to attain in the former GDR a standard comparable to that of the former FRG requires that 1 trillion 200 billion German marks be invested, including the funds of private investors. Considering the retarded economic development in Poland in comparison with [the former] GDR and Poland's greater area and population, we may assume without exaggeration that in our country more than a trillion dollars would be required to raise the level of economic development in the next several years.

No one in Poland ever had or has that kind of money. Thinking optimistically and very superficially, from external sources, we can count on amounts many times smaller even if we include foreign assistance.

All the delusions that there is a method or economic program that will work a miracle and ensure Poland's attainment of a West European level of economic development during the next several years are false. Polish enterprises are bicycles with respect to capital renovation and not Mercedes cars that can freely travel through the world. In the postwar period, the Communist government accumulated capital in Poland at the expense of the peasants. I don't believe that any social group would agree at present to take on their shoulders the burden of "acceleration" and willingly allow itself to be exploited for many years.

Where, then, can we get the means for a socially acceptable "leap" forward?

There is only one answer. We must count on foreign capital which we fear and which is very reluctant to invest in Poland. This is what Japan, Korea, Singapore, and many other countries did. No one in the modern world considers it a tragedy that 30 to 40 percent of its economy is in the hands of foreign capital. Despite the fears of the Americans based on the fact that foreign capital has invested more than \$300 billion (1988), buying out Rockefeller Center or Columbia Pictures, we cannot help but notice, on the other hand, that this capital created three million jobs, revitalized the economy, increased competition, and brought with it new technology and management methods.

This is universally accepted since it stems from the objective fact of internationalization of capital and growth of interdependence of countries. Poland cannot simultaneously apply for membership in European associations, where free flow of production factors is the rule, and maintain, on the other hand, that "we will not let ourselves be bought by the Germans" (who are not in the least interested in doing this).

Let us abandon the belief that the "12" will adapt themselves to the demands of Poland. To the extent that anyone will have to adapt to anyone else, it will be Poland adapting to European demands.

We must be fully cognizant of these consequences. Acting on the principle, "I would like to, but I am afraid," is wasting time and losing out to the competition. Foreign capital was the backbone of industrial development and railroad transport in the 19th century in the U.S. Owing to it, Japan and four Asian "tigers" made a civilizing leap during one ten-year period.

The world price of capital will increase and the number of countries with available capital will decrease. The greatest "supplier of capital" in Europe, the FRG, will now concentrate on internal development. Japan is interested in the Asian area and the U.S. The United States has changed gradually from donor into receiver of capital. Latin America and Africa are themselves counting on an influx of investments and will, like the countries of Central and Eastern Europe, compete with Poland for foreign investment. Capital is becoming scarce in the world.

Foreign capital that could come to Poland is frightened away by political risk, lack of adequate legislation and its impermanence, unfavorable social climate, Polish indebtedness, lack of an adequate infrastructure, and dozens of other factors.

What can we do to attract foreign investments to Poland with which we could accomplish notable progress in the economic development of the country within a generally acceptable period?

We must encourage foreign capital. The incentives must be strong enough to induce investment in Poland despite all the risks mentioned above. Therefore in itself a law on corporations with participation of foreign capital,

work on which is being exceedingly protracted—a bad signal for potential investors—will not be enough. However, not only time is important but, most of all, the content of the new regulations. Our legislature should be the most competitive in the world in this area and should take advantage of the experience of the four Asian “tigers.” Foreign capital in areas preferred by the government should be treated preferentially even with respect to domestic capital (thus far, nonexistent).

At the same time, we have the important weapon that the tens of billions of dollars of debt constitute, despite the debt reduction. Even a 50-percent reduction in debt will not solve the problem since we can service only 20 percent. The debt will continue to rise, and in 10 years we will find ourselves at the starting point with \$40 to \$50 billion of debt. We stand on the eve of a tremendous privatization and we need direct foreign investment as we need air. Why don't we unite these three factors into one? Such a proposal appeared in *RZECZPOSPOLITA* (12-13 February, 1991).

Strong inducements for foreign investors must be formulated immediately since the competition is at our heels. The time is favorable for our economic program: debt reduction, the coming discussions of association with EEC, approval of Foreign Exchange (awaited!). The deal that President Lech Walesa is proposing to all discussants, 80 percent for them and 20 percent for us, will be profitable for Poland.

To the extent that these ideas are not accepted, within the framework of present regulations, let's sell wherever we can everything that can be quickly modernized and made competitive. Even for a symbolic zloty.

There are inspiring examples of interesting transnational corporations in Poland (ABB—Zamech) and many discussions. Foreign investors follow a torturous road and wonder many times whether they are really needed in Poland.

Since we want to join Europe and the world, we must remember that money rules the world, and without money there will be no miracle. We will not manage by ourselves.

#### **Sale of Small, Medium State Enterprises**

*91EP0507B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 7 May 91 p 1*

[Article by Joanna Trepkowska: “Acceleration of Privatization: The Great Clearance Sale?”]

[Text] The Ministry for Ownership Transformations intends to accelerate privatization. Thus far, by taking advantage of the capital route, five state companies were turned over to the private hands of shareholders and 242 were granted permission for privatization through liquidation. All of this, however, is too little. Enterprises need owners, capital, and restorative therapy. For this reason,

Minister Janusz Lewandowski proposes to open a way for liquidation through rapid the sale of small and medium-sized state enterprises.

This sale will be an auction initiated by the founding organs. Organs of the State Treasury will set the starting price. The definitive worth of the company will be set by the market with the condition that if no client bids the starting price, there will be a temporary halt to privatization or a lowering of the starting price and a continuation of the auction.

Minister Lewandowski believes that thus far private domestic capital is inadequately involved in privatization. Perhaps privatization of companies by way of auction will inspire Polish investors to involve their funds. The first offer to sell will be directed toward Polish investors.

In a quick sale, the principle that small state enterprises should be privatized first is bypassed. This formula will be obligatory in privatization by way of a public offer and when enterprise property is turned over for use against payment. In this way, companies will be sold that are good, average and even the worst which frequently have solid buildings and equipment which is not bad—according to our conditions—but which is not adequately exploited. The private owner will have the opportunity to put this potential to use.

At a conference on 6 May, Janusz Lewandowski said that he was in agreement with voivodship governors who are ready to initiate a pilot auction procedure. In Gdansk, an enterprise belonging at one time to the Voivodship Domestic Trade Enterprise has been put up for bids. In general, he favors those enterprises that have not yet indicated a desire for privatization being selected for auction with the help of voivodship plenipotentiaries. There is a condition, however; they must be companies that are not threatened by the procedure of reprivatization and are not suitable for quick sale.

Polish real and legal entities and foreign investors will be admitted to the auctions. All offers meeting the starting price will be considered. It will, however, be an auction by bid and not an auction by price. Consideration will be given to proposals of the potential buyer beyond price, such as, for example, the scope of future investments or employment policy.

Minister Lewandowski also predicted an amelioration of labor leasing conditions by the middle of May. Legal and financial barriers had developed along this path to liquidation privatization which inhibited the process or even led to some enterprises halting implementation of projects already started. Among the financial barriers, two are most fundamental.

The first is the need to accumulate share or founding capital amounting to at least 20 percent of both enterprise funds (especially with respect to hardware). The second is the financial conditions of leasing, specifically

the high rate of so-called supplementary payment of more than 75 percent of the Polish National Bank refinancing rate.

To the extent that the Ministry for Ownership Transformations did not consider it desirable to ameliorate the conditions for accumulating share and founding capital in the amount of 20 percent of both enterprise funds, to the same extent was it an advocate of changes in leasing conditions. Therefore a proposal was made to set an upper limit of 30 percent for rates regardless of the actual level of inflation. Meanwhile, supplementary payments will be set at a rate of 75 percent of the Polish National Bank refinancing rate, but not higher than 30 percent. This is insurance for the newly formed corporations against the destructive effects of inflation. The Ministry of Finance agreed to this solution.

### **Liberal-Democratic Congress on Cooperatives**

*91EP0499B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 4-5 May 91 p 1*

[Article by Leszek Pawlowicz based on the work of the Gdansk Institute for the Study of Market Economy: "The Roads of Indispensable Reorganizations: The Liberal-Democratic Congress on the Cooperative Movement"]

[Text] In a centrally planned economy, organizations termed cooperative in reality lost their cooperative characteristics. Members of cooperatives became completely removed from responsibility, risk, and usefulness, and their participation became symbolic. Cooperatives in Poland are so-called units in the socialized economy, but the cooperative form of property is essentially private group property.

The ongoing process of transforming the state sector and the lack of a program for transforming cooperatives will result in the latter finding themselves to be an economic-organizational open-air ethnographic museum of a past epoch. This is how Leszek Pawlowicz, the expert on cooperatives of the Liberal-Democratic Congress, evaluates the cooperative situation. At the same time, he presents a concept of indispensable changes in the economic sector.

Many cooperative enterprises arose and functioned as a replacement form for private trade corporations. It is a natural phenomenon that as the economy develops, under conditions of liberal economic policy, cooperatives have a tendency toward transformation into associations of the capitalist type. There are exceptions to this, but the strategic policy for economic development must not be based on these. The cooperative enterprise is a typical example of an association of individuals, not capital, and so-called cooperative enterprises in post-communist countries are an extreme perversion of the idea of economic associations of individuals. A reform of this museum piece is indispensable.

In general, there are two ways out of the present situation. [One way is] the so-called collectivization of the cooperative or a return to its widely advertised ideas,

which means privatization within a cooperative legislative-organizational framework. Also possible is the transformation of a cooperative into a capitalist-type association or privatization by replacing a cooperative by a corporation with commercial rights.

Mr. Pawlowicz believes that each cooperative should have the guaranteed right to choose the road to privatization. The decision should be made by a general meeting. Privatization, however, will not create any possibility for members of the cooperative to take possession of property to whose existence they did not de facto contribute. The practical implementation of the principle, render to God what is God's and to Caesar what is Caesar's, is not possible in the case of members of a cooperative. It is impossible to define on the basis of sources of property which part of it is in reality the property of the cooperative members and which is not.

Since division that is completely objective is impossible, the only alternative is dividing the property arbitrarily to a certain degree, and possibly most rationally on a large scale. A general meeting should take up the question of the eventual decision on the transformation of a cooperative to a corporation with full knowledge of the rules of the game. This means with full knowledge of the conditions that the cooperative must meet in the process of privatization in order to ensure the rights of ownership of the present cooperative members and the future shareholders.

Approximate ownership rights can be estimated by classifying cooperatives according to two criteria: the time of founding and the cooperative type. It is proposed that cooperatives founded after 1982 be fully enfranchised (with the exception of work cooperatives derived from liquidated cooperative unions). This means that transformation of those cooperatives would require them to meet scarcely any conditions, and cooperatives without limitations would decide on organizational-legal economic activity.

Meanwhile, cooperatives founded before 1982 should be ranked hierarchically depending on their rights to reserve funds belonging to the cooperatives. They would have the right only to a part of the undivided property. Coowners would legally be:

- The commune (participation would vary depending on type of cooperative).
- The employees (similarly to employees of privatized state enterprises).
- Former employees and former members.

A relatively high degree of participation would be accorded to communes (local cooperatives) that would, however, have the responsibility of selling their shares within a specified time, under the threat of surrendering property rights to the state. From many aspects, this proposal seems more advantageous than the idea of turning the noncooperative part over to the state. The

procedure of transformation should be based on solutions contained in the Law on Privatization of State Enterprises—by liquidation—after making certain amendments.

Every road to privatization (except for necessary amendments to the cooperative law) may seem unrealizable without a change in the Law on Land Management and Expropriation of Real Estate. On the basis of this law, as distinct from state enterprises, in general, cooperatives have only the right to use property constructed legitimately on communal land. The right to use does not have the character of legal rights and as such cannot be transferred. It will often happen that cooperative X converting to corporation X will lose the right to use buildings that it built on communal land. In an enclosure, we are proposing a suitable amendment to this law, Mr. Pawlowicz stresses.

Each plan for cooperative transformation will be controversial and will meet with a tangle of opposed interests and social forces. Among these, we might mention specifically the fact that members of cooperatives will undoubtedly come up with claims to a larger share or the entire present property of the cooperative, that the interest of the local community, in spite of being real, may not be served by the sleeping, and frequently incompetent commune authorities. Moreover, the force of motivation (in regaining community property) will be weaker than that of cooperative members gaining private property. Cooperative activists obsessed by the idea of a real cooperative will try not to honor the fact of the voluntary nature of the transformation. By the same token, concerned about maintaining a strong cooperative movement, they may actually refuse cooperative members the right to change the form of property.

A sizeable group will not be interested in any kind of real changes in the present structure of property rights of the cooperative sector since, in reality, a considerable proportion of the present cooperative groups is feeding on property that is not theirs.

### **Plan for Restructuring Coal Industry Presented**

91EP0507A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 6 May 91 p II

[Article by Barbara Cieszevska: "The Face of Mining Changes: Beginning Reform in July"]

[Text] During recent discussions between Prime Minister Krzysztof Bielecki and representatives of the Ministry of Industry, and most recently with trade unionists, the basic principles for restructuring of mining were presented. Only the details of the program remain to be worked out, in general the goal will be to maintain those mines which are expected to show a profit within the next several years.

The government will develop a fuel-energy balance for the country, therefore also the coal demand. It is estimated that 125 million tons of coal will have to be allocated this year. A rise in coal prices is anticipated.

The checks that the treasury chambers, specifically the Ministry of Finance, had placed on coal prices will have to be removed.

Since last January, these prices have risen by approximately five percent a month. We should not expect sudden increases, however, since in many cases these prices are already beginning to catch up with world prices. The government program anticipates that by the end of the year, the prices for domestic coal will reach the level of world prices and therefore also the prices of coal that would be imported (through Polish ports).

If we want to maintain competitiveness of Polish coal in the world markets, we will have to make profound changes in the organizational structure of Polish mining.

In the first place, it is proposed that beginning in 1993, the mines should function without subsidies. Next year will be the last year for awarding subsidies to mining. This will make it necessary to close those mines that are consistently unprofitable. Even today, we can name five such mines besides the Walbrzych mine that have already been placed in liquidation. We also know that it will be necessary to combine old mines, exploit them in larger units, obviously to the extent that this is possible on the basis of profitability of these mines.

Experience thus far, both in Poland and in the rest of the world, indicates that single mines are units that are somewhat too weak to deal with large problems: ecological, investment, exploration for new deposits, etc., or even with coal export. For this reason, the creation of several, six or eight, capital corporations has been proposed, each of which would unite several mines. These would function without subsidies and would themselves have to develop funding for further expansion.

Mines must move in this direction on a voluntary basis, but to avoid the creation of a monopoly, certain criteria will be developed for combining.

This whole process of adapting mines to demands of a market economy will begin with restructuring most of them, perhaps even all of them, into shareholder corporations of the State Treasury. It is anticipated that the whole process will take two or three years and will begin in the middle of this year.

The implementation plan for these goals anticipates:

- Creation of a government plenipotentiary office for matters of restructuring coal mining.
- Setting criteria for consistent unprofitability of mines.
- Developing plans for liquidating mines.
- Placing designated mines in a state of liquidation.
- Creating a coal bank.

It is also anticipated that all these endeavors will be discussed with trade unions and with self-government bodies. Included in the sphere of endeavors political in nature are changes in taxes on excess wages and solving the problem of mine liabilities. Mining debts already amount to hundreds

of billions of zlotys. The miners do not hide the fact that they are counting on the debts being annulled.

When the process of adapting the mines to the new demands is completed, the stage of combining them into holding corporations, shareholder corporations, will follow.

The authors of the program, the engineer Andrzej Lipko, deputy minister in the Ministry of Industry and the

engineers Dr. Henryk Chroszcz and Dr. Wieslaw Blaschke, believe that a smaller number of corporations will be more advantageous from the point of view of the greater capital strength each will have.

Deputy Minister Andrzej Lipko believes that the first decisions initiating the process of restructuring mining will be made no earlier than 1 July 1991.

### **Susak Says Croatia Able To Defend Independence**

AU2106090491 Vienna DER STANDARD in German  
21 Jun 91 p 2

[Article by Ernst Sittinger: "We Are Ready To Die for a Free Croatia"]

[Text] Graz—"We have opted for a free Croatia and are ready to die for it," said Croatian Deputy Defense Minister Gojko Susak, who met with Governor Josef Krainer in Graz on Thursday [20 June]. He said that the republic has a "good Croatian police" and has enough arms to defend itself against any aggressor.

Susak expressed optimism at the further course in the direction of a federation. He said that the Croatian parliament is currently meeting around the clock because hundreds of laws must be adopted prior to independence.

He said that the date of the proclamation "is still 26 June." However, Yugoslavia will not be "torn apart." "Until all problems have been clarified, we will help finance the total Army for several years."

Governor Krainer stressed again his "full sympathy" for Croatia's self-determination. He said that the development must be accepted politically and on the basis of international law. Krainer said, "Actually, Europe should recognize these peoples."

### **Goals of New Democracy Movement for Serbia**

91BA0840A Belgrade NIN in Serbo-Croatian 14 Jun 91  
pp 26-28

[Interview with Dusan Mihajlovic, president of New Democracy Movement for Serbia, by Milo Gligorijevic; place and date not given: "Success Is Not Forgiven in Serbia"]

[Text] The president of the New Democracy Movement for Serbia, the party whose name was given by Dobrica Cosic, is the only Serbian opposition leader who was in the so-called political superstructure before the December elections. In his position as vice president of the Serbian Republic Executive Council, he very soon came into conflict with the current policy, and clearly and publicly demonstrated that he did not agree with it. He did not participate in the elections either as a presidential or deputy candidate, and his party, whose nominees received a large number of votes, did not win a single deputy seat in the parliament. It is being talked about again after the creation of an electoral coalition (the Serbian Renewal Movement, New Democracy, and the Serbian Liberal Party), and now new questions are coming up for it, and for him.

[Gligorijevic] How did the Serbian opposition emerge? And with what resistance from the ruling party?

[Mihajlovic] There cannot be a stable state without two politically different fields, i.e., without the authorities and the opposition, but the ruling political regime in

Serbia did not have that truth in mind. That is why we did not arrive at the necessary political peace and compromise necessary for implementing the reform commitments and for turning the one-party state into a law-abiding one, the one-party system into a multiparty one, social property into private property....

[Gligorijevic] Did anyone hinder the ruling regime, and was it, perhaps, prevented from achieving that goal?

[Mihajlovic] The political regime that has been in power since the well-known eighth session of the Central Committee of the Serbian LC [League of Communists] had a mandate for carrying out political and economic reforms, and gained the confidence of the majority of voters. However, it showed an extreme lack of understanding of the very need for the existence of an opposition. At a time when the Western republics were rushing toward a multiparty system, people here were talking about partyless democracy. The multiparty system, of course, is not perfect, but it is the least evil that the world has known. The lost time, the incomprehension and arrogance, and the driving of the opposition from institutions out into the streets, all led to the oppositions in effect having to emerge on the street.

[Gligorijevic] Has there ever been any chance for that historic compromise between the authorities and the opposition?

[Mihajlovic] Naturally! It existed a year ago when the opposition was weaker, more innocent, and more impotent than today. It existed in the opposition's first contact with the authorities that was arranged in the so-called Yellow Reception Room of what was then the Republic Executive Council. The opposition delegation included Vuk Draskovic, Dragoljub Mihajlovic, and others, who are now the current party leaders, and the ruling regime was represented by Zoran Sokolovic, who was then the president of the Serbian Assembly. If those talks had ended successfully, the whole story of the birth of democracy in Serbia would have been different.

[Gligorijevic] Do you think that the authorities' burden is too heavy for the Socialists?

[Mihajlovic] I think that it is too heavy for any party, no matter how large, strong, and perfect it is. The burden of the crisis and the reform can only be borne successfully by a coalition. The Socialist Party cannot do it by itself by any means, especially since it is not a party in the modern sense of the word. Watching the broadcasts from the National Assembly, which many people perceive as free theater, I see that that party has people who represent different political beliefs, from ultraleftist to social democratic ones, and even ones more suitable to the Democratic Party or the Serbian Renewal Movement.

[Gligorijevic] How do you view the Serbian Renewal Movement?

[Mihajlovic] It is a movement for spiritual, political, and cultural rebirth. When that process is finished, however,

the movement will have to take a stand politically and find itself somewhere in the right center or in the right wing. That is also awaiting the reformers. And reform, like renewal, is a job that is limited in time, just as this advocacy of national interests is also something limited in time.

[Gligorijevic] Let us be precise: The spiritual renewal of Serbia, or Serbs? How do you view this?

[Mihajlovic] That is a difficult and very topical question. Whoever answers it successfully has solved Serbia's Gordian knot. I am among those who think that we are unfortunate in having gotten into a situation in which we have to talk about that dilemma at all.

[Gligorijevic] And how did we get into that situation?

[Mihajlovic] By realizing our interests not in Serbia, but rather in Yugoslavia.

[Gligorijevic] Tell us, Mr. Mihajlovic, which Serbia, and what kind, would best defend Serbian interests?

[Mihajlovic] I will say without hesitation: a strong one. Consequently, a strong Serbia would be the best protection for Serbs, regardless of where they lived in the world. I consider the Serbian position, the position of the Serbian people, and thus also of the Serbian state, very similar to the position and question of Jews and modern Israel. Many analogies can be drawn. The fact, however, is that Serbs do not have an Israel that has been achieved, they have been dispersed throughout Yugoslav territory, and they have invested everything in the Yugoslav state project that is now collapsing. Because of the system in which we have found ourselves, in effect, we are in a position in which we now cannot successfully conduct our national and state affairs, and protect our interests with money, diplomacy, and the strength of our arguments and our market. The greatest strength we have is harnessed in resolving this Yugoslav nonsense.

[Gligorijevic] In the struggle with others in Yugoslavia...?

[Mihajlovic] Our greatest stake in that struggle is our heads and our blood, and our numbers and the simple fact that we are still physically the strongest people in the Balkans. And now we come to the following question: For what size Serbia should we again shed blood, for who knows how many times it has been now, and sacrifice our children? We have gotten into a position in which that will be our solution for all the riddles and the only strategy against the bloodthirsty Ustase, against Albanian separatism, against the statements by the restored nobility who want a restoration of the Austro-Hungarian monarchy! Why have we reached that point?

[Gligorijevic] You have now begun to answer with questions.

[Mihajlovic] I have more of them. Why have we gotten into a situation in which virtually no one, or literally no one in the world has any sympathy for us? Can that fact

be answered with one of our own—what do we care about America, what do we care about Europe, no one has what Serbs have had! And should we then end in that dream of ours about a heavenly Serbia, sacrifice ourselves in some new Kosovo, or lose three-fourths of our biological substrate, our biological fabric, as we lost it in the World War I and World War II, and thus incapacitate ourselves as a people once and for all? Our greatest enemy at this time is demography: We are biologically incapable of ruling the area that we want to claim as our own.

[Gligorijevic] Incorporating Serbian national interests and national identity into that state implies the necessity of its also including several other peoples: Croats, Slovenes, Macedonians, Moslems.... And now we are faced with their rejection. They want their own states. And how is it that the world has less sympathy for the Serbs' aspiration to live in one state than, for instance, for the aspiration of Croats and Slovenes to live in their own state?

[Mihajlovic] The answer is very simple. People are inclined to show sympathy for a minority and to believe in advance that the minority is threatened by the majority, and that the larger and stronger is oppressing the smaller. In our "Bolshevist garden," however, in Yugoslavia, we have achieved a miracle that does not exist anywhere else in the world. In practice, we have achieved the minority's oppression of the majority. This is nothing to be surprised at. We ourselves are creating our image and sending it out to the world. We must ask ourselves what ambassadors of the Serbian truth, the truth about Serbia, we have in the world.

[Gligorijevic] We thus have another opportunity to make a contribution to criticism of the system.

[Mihajlovic] I know that many former Communists, who committed themselves to fundamental changes, deserve more credit for the destruction of the unsuccessful system than many people from the so-called civil opposition. I see the middle generation's role as being honest about itself and the times in which we are living, and making an effort to have these vulgar and difficult birth pangs of democracy surmounted peacefully and democratically. The most that we can give is to prepare new political generations and bridge over our unfortunate schisms.

[Gligorijevic] And what are our prospects of achieving that soon?

[Mihajlovic] I am convinced that Serbs are in the position of remaining without one state, and without a state of their own, precisely because of the system in which they have lived. The Serbian national and state problem cannot be solved in the kind of situation we are in now, when the current authorities actually want to maintain the unsuccessful political and economic project. It has to be realized that only a politically democratic and economically strengthened Serbia can successfully ensure state and national prosperity for Serbs.



[Gligorijevic] For Serbs outside Serbia at the same time, or only Serbs in Serbia?

[Mihajlovic] That separation is not a natural one, and I think that it is a result of the system in which we have lived. How can the mistakes be corrected now? That is the question for a new Pasic.

[Gligorijevic] Do you see that Pasic anywhere in sight among the party leaders?

[Mihajlovic] If he were on the public scene, we would not be in this kind of situation.

[Gligorijevic] Even without that Pasic, will the ruling regime be forced to engage in reforms more rapidly? Will it have to do so under growing pressure from the opposition, under pressure from public opinion, or under pressure from the need to change itself, so that afterwards it can boast of success in political affairs and on the public scene?

[Mihajlovic] Everything that has been done so far in reform has been done under pressure. It is our misfortune that we wasted the opportunity that we were the only ones in the socialist world to have. We could have carried out all the reforms quickly, and done so without upheavals in political stability and civil peace, thanks to the undisputed authority that was formed in the person of Slobodan Milosevic. He ought to have been above parties, outside diverse political interests and political struggles. He could easily have played the role of King Peter I, the Liberator, who is being mentioned now more and more.

[Gligorijevic] Do you think that he does not have that chance today?

[Mihajlovic] Since he became partial toward one party, the people are now wandering and seeking another liberator. That is why I mentioned the monarchy and the heir to the throne, not just as a tradition, but also as the people's need for a point to rely upon, for some sort of stability.

[Gligorijevic] To the best of my knowledge, the Serbian Renewal Movement was the party that interfered with New Democracy the most, of all the parties in the first round of the elections. In the second round there was already some cooperation, but not in all electoral units and not in all cities. Now, New Democracy and the Serbian Renewal Movement are together. What does that mean? Did Vuk Draskovic change, or did you change?

[Mihajlovic] I do not want to go into who interfered with whom. We do not want to correct anyone, and particularly not the SPO [Serbian Renewal Movement]. The changes in Vuk Draskovic's approach are evident. He is reaching from a right-wing position to a center position. How successfully? He has to think about that himself.

[Gligorijevic] That coalition does not include the Democratic Party, which all the public opinion surveys show to be considerably stronger. How did you view Micunovic's refusal?

[Mihajlovic] The party's Main Committee will say something about that. My personal opinion, and the opinion of New Democracy's Executive Committee, was that divisions are harmful.

[Gligorijevic] Divisions in the opposition?

[Mihajlovic] Yes, in the opposition. And I will personally propose that talks be resumed, not just with the Democrats but with everyone, and that maximum efforts be made to really achieve an electoral coalition of equal political partners. I do not see any substantive reason for it to be different. If the vanity of leaders, especially the leaders of the two most important opposition parties, is more important than national causes, then that is our current fate, with which we have to reconcile ourselves; but New Democracy cannot participate in that business of vanity versus vanity.

[Gligorijevic] To what extent is your concept of local self-management original, and to what extent is it modeled after what the old Radical Party proclaimed back in the last century?

[Mihajlovic] There is no difference in the concept of local self-management between New Democracy and the radicals you mentioned. I would like to remind you, however, that the idea and practice of local self-management are not the property of the radicals. Local self-management, or rather local self-identity, has deep roots in the awareness of the Serbian householder. There are many historical reasons and justifications for this. For almost 500 years we were without a state, under the Turks, but we survived. And I think that it was precisely when we did not have a state that we learned how to function and how to survive. Everyone coped under his own conditions and in accordance with his own capabilities. I think that the differences we have from region to region, and the unique local features, and thus also that "local patriotism," are a great resource.

[Gligorijevic] Where do you see the integrating factor?

[Mihajlovic] In communications. Ask yourself just how much time it takes for you to go from Valjevo to Negotin by train, or from Prokuplje to Trebinje. But those are all small distances. Or, what kind of telephone network do we have? Not to mention computer communications and modern information systems! By building a modern communications network, which implies not only a computer infrastructure and satellite communications, but also improving Serbia's deadly roads, and modern railroads, in practice we will achieve the necessary unity, including state unity. We will thus succeed in activating the most valuable potential that we possess. By that potential, I mean what God and nature gave us.

[Gligorić] Everything that you are talking about—the development of local self-management, absorption in one's own city and one's own problems—was demonstrated by you in Valjevo at one time, and that concept proved to be successful. Valjevo became an attractive spot in our political geography. When some time had passed, however, it turned out that this had not increased your popularity in Valjevo. On the contrary!

[Mihajlović] I will not try to explain how much that is a consequence of national mentality, and how much it is a consequence of the system that we have lived in. I will tell you briefly that in Serbia, success is not forgiven. With intelligence, if a person hides somewhere where his intelligence does not bother the majority, he can somehow slip through. If he succeeds, however, then he becomes public and there is nowhere for him to hide.

### Reaction to Milosevic Statement on Macedonia

91BA0659A Sofia DUMA in Bulgarian 26 Apr 91 p 4

[Article by Goran Gotev: "L. Georgievski, Vice President of the Republic of Macedonia: 'At What Border Point Are Serbia and Greece Neighbors?'" ]

[Text] Belgrade, 25 Apr—Does Serbia recognize Macedonia, the Macedonians, and the Macedonian nation? That question was raised by the Macedonian information media immediately after the question addressed to Serbian President Slobodan Milosevic during his visit to Athens: "What is your view on activities in Skopje concerning Greece?" His answer was brief: "This question is not part of Serbian-Greek relations." The newspapers in Skopje blamed the Serbian leader for the fact that, during his trip to Athens, he not only failed to defend Macedonian claims toward Greece but also did not mention even once concepts such as Macedonia, Macedonians, the Macedonian nation, and Macedonian problems. It was recalled that the ideological inspirer of today's Serbian policy—the Serbian Academy of Sciences—does not recognize the existence of the Macedonian nation and believes that the Macedonians are "southern Serbs," a view that is openly supported by some nationalistic parties such as the Serbian Renewal Movement.

The "stubbornness" with which Milosevic even avoids mentioning words such as "Macedonian" and "Macedonians" reminds Skopje that, at the press conference on the occasion of the second Yugoslav summit in Belgrade, he, as host, in naming the presidents who participated in the summit, deliberately omitted mentioning the president of Macedonia.

The Croatian VJESNIK noted the following: "At the press conference in Athens, having emphasized the 'exceptional accord with the hosts on all matters discussed,' Milosevic diplomatically avoided answering any question pertaining to Macedonia, emphasizing that Serbian-Greek relations are not burdened by even a single problem."

At the press conference in Ohrid, after the meeting of the presidents of the six Yugoslav republics, the Serbian

leader was subjected to a real cross fire on the part of the Skopje journalists, who, one after another, insisted that he state publicly whether he recognizes Macedonia, the Macedonians, and the Macedonian nation. Branislav Dimovski of Macedonian Television said: "Mr. Milosevic, you favor a unified, which will mean united, state of Yugoslavia. How did it happen, and how do you explain the fact that, at the press conference in Athens, alongside Konstantin Karamanlis, not once did you mention the words "Macedonia," "Macedonians," "Macedonian national minority," or "Macedonian problem" in answer to three provocative questions?" POLITIKA, which usually publishes the minutes of such press conferences, censored the words of the Macedonian journalist, indicating only that Dimovski asked Milosevic about his visit to Greece and about the "Macedonian problem." It is worth pointing out that the Serbian semiofficial newspaper is already placing the term "Macedonian question" in quotation marks.

Stating that he did not discuss such problems because he did not visit Greece as either a representative of Yugoslavia or a representative of Macedonia but as president of Serbia, Milosevic answered that, considering the familiar positions taken at the CSCE on the firm nature of European borders, and, considering the overall interests of Yugoslavia, he found no reason to worsen relations with Greece. "On the contrary," he said, "I believe that such interests must be expanded, improved, and developed on the basis of mutual interests."

Turning to the president of Macedonia, Mirche Tomovski of PULS, the independent Macedonian newspaper, asked: "Mr. Gligorov, does Mr. Milosevic know where he is today?" Naturally, the Serbian president did not deem it necessary to answer that question. However, that did not discourage our Macedonian colleagues, and the last to speak at the press conference, Zoran Ivanov of Macedonian Radio, asked: "My question is addressed to Mr. Milosevic. Does the president of the Republic of Serbia know and can say openly to the Yugoslav public on the territory of which of the six Yugoslav sovereign republics he now stands?" Milosevic apologized for not understanding the question, but, having had it translated by Kiro Gligorov, answered: "You are asking in which of the six sovereign republics? I have repeatedly pointed out that I do not consider the Yugoslav republics to be sovereign. Yugoslavia alone is sovereign. The republics of Yugoslavia are equal. I am in Macedonia, which is an equal republic in Yugoslavia."

At this point, Kiro Gligorov categorically objected, stating that Macedonia is sovereign, and not from the time when the freely elected new parliament in Skopje adopted a declaration on its sovereignty but from the very founding of the Republic of Macedonia, in 1944. "This is the essence of our differences," the Macedonian president emphasized.

The Skopje newspaper VECER reports that, of late, in the official publications of many Serbian organs, Skopje, Bitola, Stip, Ohrid, Tetovo, and other Macedonian cities

have been mentioned as being located in Serbian territory. It is indicative that, at the Ohrid press conference, when asked whether he recognizes the present borders between Yugoslav republics, the Serbian president answered that, should some "parts" of Yugoslavia secede, the question of the borders between Yugoslav republics would remain open.

Now we come to the essence of the charges formulated in Skopje to the effect that the statements of the Serbian president in Greece were provocative. In Ohrid, he explained that he did not discuss the Macedonian question because he was visiting Greece not as a representative of Yugoslavia or Macedonia but as the president of Serbia. In this connection, Lyubcho Georgievski, chairman of the VMRO-DPMNE [International Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] and vice president of Macedonia, said:

"The position held by Macedonia has changed substantially, from part of federal Yugoslavia to a union of sovereign states. Should Yugoslavia break up, the first problem for Macedonia will be Serbia because Serbia supports the view that it could withdraw from Yugoslavia with whatever it entered it, which includes some parts of Macedonia."

Georgievski believes that the Republic of Macedonia should begin separate talks with Albania and Bulgaria because they all have different views. "Albania and Bulgaria," he claims, "consider advantageous the breakup of Yugoslavia but not of Greece because, in that way, Macedonian energy would be better contained because that energy, following the breakup of Yugoslavia, would become concentrated against Greece. If Yugoslavia breaks up, Bulgaria, Albania, and Greece will be facing a Macedonian state. Territorial aggression committed by the Macedonian state would be absurd because it would mean war in Europe, and that is something Europe would not allow."

Expressing his puzzlement at the "miserly coverage" by Macedonian journalists of the visit by Slobodan Milosevic to Greece, the Macedonian vice president noted the following:

"Totally unlike this, two months ago these same journalists excited the entire Macedonian public about an alleged meeting between Tudjman and [Dimitur] Gotsev. By itself, the visit by Milosevic harmed the Macedonian state. There is no doubt that part of his discussions in Athens dealt with Macedonia. That was seen also from the statements made by Milosevic on the good relations between the two neighboring countries. At which border point does Serbia meet Greece? That is an obvious provocation. What am I to answer to that? That Macedonia will establish good-neighbor relations with Hungary?"

### 'Truth' on Division of Bosnia-Herzegovina

91BA0843A Zagreb VJESNIK in Serbo-Croatian  
10 Jun 91 p 6

[Article by Muhamed Filipovic: "The Truth About Reports on the Partition of Bosnia: Disregarding Local Desires"—first paragraph is VJESNIK introduction]

[Text] All of this has been done without us, against us, and against the interests of the majority of the population of Bosnia-Herzegovina.

In recent times, reports have been arriving from many sources and from various parties to the effect that an agreement to partition Bosnia-Herzegovina is being prepared between Serbia and Croatia. The first reports on this began to circulate after the meeting, shrouded in secrecy, between Tudjman and Milosevic, first in Karadjordjevo, and then in the vicinity of Osijek. At the time, it was said that while considering aspects of the conflict between Serbia and Croatia, they talked about a partition of Bosnia-Herzegovina similar to what was done through the 1938-39 Cvetkovic-Macek agreement as a way to resolve the Serbo-Croatian conflict then.

These reports then developed into more concrete information, which also contained suggestive details, indicating among other things that a group of experts is working on variants for a potential partition. Various plans are being considered here, which were contemplated in certain Serbo-Croatian circles as many as 20 or more years ago, and which relate to the possible lines of partition, such as Danube-Bosut-Bosna-Neretva, Tisa-Sava-Bosna Lasva-Vrba-Neretva, etc. All of this could have remained in the domain of eventualities and prognostication, as well as the usual suggestive atmosphere surrounding the meetings of our leaders, which are always—and in conflict with all democratic rules—shrouded in secrecy, if we had not seen more visible signs that "where there's smoke there's fire." The first such sign and the reason for concern was the rash activity by the SDS [Serbian Democratic Party] to regionalize Bosnia-Herzegovina. The regions and the entire strategy, as well as the speed and methods through which operations were carried out without being created, clearly indicated that this involves a broader concept in which the regionalization of the territory of Bosnia-Herzegovina is just part of the plan for broader interference in our relations. This clearly showed that Serbian policy, or rather the policy of the SDS and Milosevic, no longer considers Bosnia as a unified territory. Here, it was no longer a case of "if it has to be, then let it be this"; rather, it became clear that Bosnia no longer exists, as several leaders of that party have already stated on several occasions.

The second clear sign that preparations for something like this are being made was the hasty and in any event unexpected exacerbation of relations between Serbia and Croatia, which was caused by the intensification and dramatization of conflicts within Croatia, and between the legal institutions of Croatia and the secessionist

forces of the Serbian minority in Knin and Slavonia. No matter how fast it developed, this dramatic conflict has been extinguished, but it brought with it effects of a psychological nature, i.e., the feeling that Serbs and Croats must reach an agreement, even if this provokes widespread turmoil, and it is known who has paid the price for these conflicts in the past—we in Bosnia, or rather the Bosnian Muslim nation of Herceg-Bosnia.

Finally, the first pages of commentary have also arrived from well-known diplomatic and international political commentators, such as Kristofer Cvijic and others, who regard the Serbo-Croatian conflict as part of the wider European political scene and who analyze the solutions that are being circulated, including the solution of a Bosnia-Herzegovinan partition. This means that they do not see or talk about Bosnian variants, but rather only about the interests of Croats or Serbs there, and they see its partition as one of the realistic possibilities. In addition, reference is made to our domestic sources, from the headquarters of Tudjman and Milosevic, as well as to competent interpreters of these options.

In this entire situation, our Bosnian policy and its main protagonists have been unacceptably passive, both in strengthening the actual state of affairs and in representing our interests on the international scene. This game of silence has even been played by the Ministry of Foreign Affairs, i.e., the office of Mr. Loncar, to say nothing of our local diplomatic corps.

Today, we know from reliable sources of the international political public that Tudjman, during his visit to Great Britain, spoke on three occasions about the partition of Bosnia as a real possibility and solution that is acceptable in terms of his policy. Our diplomatic service did not even inform us of this, which reflects the true extent to which it is representing the legitimate interests of our Bosnian state and policy.

Two days ago, Tudjman let it be known at a press conference, although in a rather roundabout way, that work is actually being done on a partition of Bosnia-Herzegovina, but he shifted the burden of this idea as well as its motive onto Milosevic's policy and Serbian policy in general, when he said that "if the Serbs want to live in one state and if there is no other solution, then the Croats want the same thing," which leads to the need to partition Bosnia-Herzegovina among themselves.

Further confirmation of this trend comes from the circles of negotiators on the future of the Bosnian tripartite coalition, where the possibility of resettling the population within Bosnia-Herzegovina is being considered, for the purpose of forming nationally homogeneous and pure zones and thus facilitating the partition of Bosnia.

All of this has been done without us, against us, and against the interests of the majority of the population of Bosnia-Herzegovina, like proprietors of our fate and our country. Naturally, this disregards our own desires, and

we Bosnians and Herzegovinans, who have not succumbed to the virus of partition and the corrosion of our body and minds, will bitterly resist this. There are no methods whatsoever for achieving this without violence, but that must be avoided because otherwise it will be responded to in kind. An attempt at this type of partition, besides the fact that it would be catastrophic for Serbs and Croats in Bosnia, as well as for us Bosnian Muslims, would bring with it the final destruction of any Yugoslav ideal, and not only the destruction of Yugoslavia as some whole entity. This would mean the restoration of the division effected by Theodosius more than 1,600 years ago. But such anachronisms still exist in the minds and ideas, as well as in the methods, of some of our politicians.

We will write about aspects of this question, such as geopolitical, historical, economic, ethnological, political, and national aspects, as well as international-political and legal ones, in later installments of this "Bosnian Perspectives" series.

#### Chief Editor Defends POLITIKA's Objectivity

91BA0843B Belgrade POLITIKA in Serbo-Croatian  
10 Jun 91 p 1

[Editorial by POLITIKA Chief Editor Aleksandar Prlja:  
"Freedom of POLITIKA"]

[Text] Perhaps we would not have taken yesterday's rally of the so-called "Alliance of the Democratic Opposition"—which in our opinion was unconvincing, unsuccessful, and lackluster—as a reason for writing these lines if the reasons coming from various quarters had not multiplied, even at an accelerated pace. Specifically, all one has to do is look at the series of untenable assertions, spurious citations and quotes, and the attack on and slander of our newspaper over the past few days to realize that there are in fact plenty of reasons, and that POLITIKA will not and cannot remain silent.

We are breaking our silence most of all because freedom is too precious to POLITIKA and to the journalists who work for it for anyone to get away with questioning it.

POLITIKA and freedom are two intertwined concepts. If this were not the case, none of us—who are trying amidst this societal chaos to fill the columns of the newspaper not in accordance with someone's predefined tastes, but rather with real insight into the meaning of various events—would feel professional satisfaction in this. Everything that POLITIKA is doing right now, after the recent democratic elections in its collective, is an expression of our solid resolve to offer our hundreds of thousands of readers the most complete and balanced truth possible.

This truth, of course, cannot please everyone at the same time in our current chaos and anarchy, and even in the war with the truth, which is oversimplistically called a common "media war."

POLITIKA is not participating in this "media war," it does not have established, on-duty culprits, it does not attack other newspapers, it does not insult prominent political and public figures with distasteful words. We even publish—beset by a legitimate, mild amount of irony—denials that end with assertions that we are a Bolshevik-bureaucratic newspaper and of a single mind! In our opinion, there is no better way to show the true democratic spirit or credulity of the authors of such allegations than to present them.

This is not altered by the fact that some of these authors are even respected members of the most important state bodies or the most important services of the federation. Indeed, what is a person who is sincerely devoted to freedom of the press to think when, for example, certain high-ranking federal services launch a global attack even on the courteous, although sharp, disagreement between POLITIKA editorialists (whom these services also accuse of not being courteous!) as being an ordinary expression of "hegemony" or "separatism"? Such nonsense is commonplace. What can POLITIKA say when someone as prominent as, say, President Izetbegovic calls POLITIKA—literally!—a "factory of lies," and this in one of our company's publications, which was in fact set up thanks to the past work of POLITIKA?

For a newspaper with enough resolve to open up its columns to whatever its editorial team considers to have real meaning in the public and in political life, it is not always easy to publish libel without any commentary whatsoever. It should be noted that this libel most often comes from the ranks of the very opposition that most often pretends to be lovers of the truth!

Is it really necessary to publicly deny, for example, the persistently repeated and fabricated assertion that the current chief and responsible editor of POLITIKA attended some sort of "briefing" for chief editors at someone's party headquarters? Is it right—or perhaps this too should be avoided—to omit all commentary on the conduct of public figures who yearn for respect for their right to say something in public, but who then complain if POLITIKA decides which of his statements to include in the headline? Indeed, do not these actions—which among other things say something about the morals of individual actors in public life—reflect a desire to have newspapers, especially the most influential ones, edited from without, exactly in a way suitable to these critics?

At this moment, we are convinced that the freedom of POLITIKA is under a much greater threat from the opposition parties than from the ruling party. The inability to accept the fact that the positions of party organs such as, say, DEMOKRATIJA or independent party organs such as SRPSKA REC differ from the suprapartisan editorial policy of our newspaper is itself an important indicator of true democratism. We are not at all sure whether this very democratism finds expression in the everyday practice of a good part of the

opposition. We are sure that it cannot be found in the practice of part of the ruling majority in Serbia.

How, for example, are we to understand the agitated, completely exclusive words of condemnation when our newspaper puts something in its headline that was uttered and that no one even denies? Can we understand this as something other than a expression of an understanding of the freedom of POLITIKA and of the press in general in which the legitimacy of freedom and democratic ideals is linked precisely to holding the same opinions, and thus to the desire to have the newspaper edited from without?

Obviously, no type of newspaper is simply a mailbox. Editors are not without faults. We are writing these lines, however, in order to let it be known that we are definitely unwilling to pull back from free editing and deliberation out of fear, or to pull back from the free right to make isolated, unavoidable editorial mistakes or omissions in various directions. Let it be known that POLITIKA will not remain silent and will not surrender its right to remain devoted to freedom and its right to independent editing. What we put in our headline is our business. It is not our business, however, if we invent what we put in our headline.

This is our understanding of editorial policy. Encouraging partiality, animosity, and deliberate falsifications is not a symbol of freedom. It is truly satisfying to say out loud that POLITIKA will not retreat before such pressure.

### **Economic Situation in Bosnia Discussed**

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[Article by M. Lucic and D. Pusionjic: "Squabbles in the Government Mean Poverty for the Population"]

[Text] Sarajevo—Yesterday, under the watchful eye of the metalworkers, who have been on strike for nine days, the Assembly of Bosnia-Herzegovina [BH], in an extraordinary plenary session, for the first time examined the economic and social collapse in the republic. Reporting for the first time on its own performance, the BH government, through the speech of Muhamed Cengic, deputy prime minister for the economy, yesterday put the blame on the ruling ethnic coalition for the "greatest evil that is now pressing down upon us"—that is, political and ethnic discord in all parts of BH.

Precisely for that reason, the reformist deputies (through Dragan Kalinic) yesterday moved that the entire government abdicate, which, thanks to the "delegate voting procedure" was rejected even as a possibility for opening parliamentary debate on that motion.

Dragan Kalinic said that if BH is not to go into the abyss, the government should submit its resignation, and afterward the BH Presidency and parliament would form a government of technocrats and experts whose tenure

would last until elections are scheduled. But the reformists say that elections should not be held until the BH constitution and republic election laws are amended.

The BH parliament broached the area of economic problems through the report of Muhamed Cengic, deputy prime minister, that contained the measures the government is proposing and upon which the deputies are deciding in the afternoon hours, following the debate in which about 40 speakers requested the floor. The report contained a vivid description of the full extent of the grief and misery of the Bosnia-Herzegovina economy, which for that matter is also characteristic of the economy of the other republics in Yugoslavia.

Cengic described economic conditions in BH in such words as "enormous losses," "shortages," "illiquidity," "unemployment," and "high indebtedness," that is, "a depressive state in all segments of social activity," and said, "when we came to power we were not aware" of all that.

Translated into the language of numbers in Cengic's report, the situation is as follows: Total losses of the economy and social services of BH last year amounted to \$973.7 million, of which the economy alone accounted for \$938.5 million, that is, eightfold more than the capital generated by the BH economy last year. As for illiquidity, the BH government estimates that the republic lacks about \$2.5 billion. And one other detail: At the end of last year, over 400 enterprises in the republic with more than 200,000 employees were undergoing bankruptcy proceedings.

Who is to blame for this? Aside from the "communist legacy," which has already been used too much [as an excuse], Cengic mentioned in his report: "federal economic policy measures, the unfavorable position of the economy in primary distribution, monetary and credit policy, the exchange rate of the dinar, and the lateness of the Federation in meeting its obligations to the republic...." All of this, taken together, will cause the "economic trends" mentioned above to be more pronounced in the first four months of this year. Personal incomes, therefore, have dropped one-fourth since last year in real terms: Salaries have not been paid promptly, the number of guaranteed personal incomes has increased so that about half a million people have been receiving various kinds of social welfare. However, in another passage in his report Cengic said that "the total amount of personal incomes paid out was not brought into line with [income generated by] the results of business activity."

This kind of diagnosis on the part of the government did not surprise anyone, but it was a complete surprise when Minister Cengic directed criticism from the speaker's rostrum in the parliament to the current government, of which he himself is a part. Along with the general assessment that political relations are to blame for the fact that economic problems are not being solved, and that therefore the first thing to do is to calm political passions, Cengic said that the "unfavorable political

situation in the republic has occurred because the parties are acting more strongly through their leaders than the official institutions of the system." He warned that "BH citizens can no longer wait, and we do not have the right to lead them any further toward...quarreling and misery."

In the name of the government, Deputy Prime Minister Cengic called upon the republic Assembly to concern itself with political issues during the next half year only "at the suggestion of the government or republic Presidency," that is, "with their consent." The government is also calling upon opstina assemblies "to include on their agenda only economic and social welfare issues" for the rest of this year. The BH government is also pointing to those responsible for the ethnic and political discord in its demand that the parties in power cease their large single-party gatherings throughout BH, at least over the next six months. In this way—and assuming the passage of economic measures that the government proposed to the parliament yesterday—"general confidence in the government will be guaranteed, something we have been unable to achieve up to now, and that, in fact, has been our greatest weakness," Cengic said. "We must be aware that until we manage to get the government operating, we are running an objective danger of losing what we have achieved at great pains," Cengic explained.

Divisions along party lines were absent in the debate of the deputies concerning this report, but that does not mean that the deputies "hit the target" with their speeches. That is, after a time Cengic returned to the rostrum in order to seek "real debate of the government's program of measures, and let the deputies stop talking about topics with which they are not familiar." He credited the deputies with being fit, but not competent, and he told the workers not to protest in front of the government's building in the future, but "in the houses and in front of the houses of those who want to sidetrack this session...."

Political issues will be on the agenda during the continuation of this session of parliament today and tomorrow if the metalworkers and others are not satisfied with the decisions of parliament, and—it has been announced—in that case, they will gather in front of the parliament building even today.

#### [Box, p 3]

#### Measures and Priorities

Muhamed Cengic set forth at length the measures of the BH government for rapid and short-term improvement of the situation in the economy, and their shortcomings are less obvious. In general, everything is based (as Cengic put it) on the program of the Federal Government. The economic priorities of BH are as follows: calming down the political situation, invigoration of the legal system, economy, and exports, trimming back public expenditure, and providing money for social welfare programs.

From the range of measures which the government intends to implement in order to carry out what has been stated above, we single out the following: removal of executive officers and bodies from the republic to the opstina "where lawfulness is not being ensured" (wherever that is not possible, they will seek the help of Federal authorities and indeed even the YPA [Yugoslav People's Army]), the parties in power would replace the leading party cadres in opstinas "who have not guaranteed harmonious political conditions and laws." They are aiming at a more effective collection of "social revenues," stopping payments of guaranteed personal

incomes "to workers in enterprises that have no future," the pooling of reserves from the annual budget for last year in order to pay guaranteed personal incomes, and criminal accountability for "issuing funds that have no backing."

They are planning to transfer the foreign exchange savings of individuals to the commercial banks of BH, to form teams for expeditious proceedings, to cut costs and staffs in the state administration by 20 percent, to do away with privileges in old-age and disability insurance, and so on.